

JPRS-CAR-89-024  
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# ***JPRS Report***

# **China**

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# China

JPRS-CAR-89-024

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## GENERAL

### Recent Trend in U.S.-Soviet Detente Analyzed 40050189 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 21, 1 Nov 88 pp 2-4

[Article by Ji Yin 1323 1377, special commentator:  
"Global Changes and Trends: A Period of Regrouping as  
the United States and the Soviet Union Prepare To Do  
Battle in the Twentieth Century"]

[Text] *In some important realms, the current detente is broader and deeper than the detente of the 1970s, is also more stable and may continue at least until the end of this century. Nevertheless, since Soviet and American global strategies have yet to change, the two superpowers' strategic interests remain antagonistic and their relations, essentially hostile. Thus detente will not prove smooth sailing.*

U.S.-Soviet relations are entering a new era of detente. This new detente bears the characteristic imprint of the times and must be examined in its full international context. For if one confines one's examination to U.S.-Soviet relations, it will be difficult to make a realistic assessment of the historical conditions that produced the depth, breadth, and trend of this detente. In a fundamental sense, *this detente is the product of the profound historical change that has occurred in the world and in international relations in the 40-odd years since the conclusion of World War II.* The varying policy readjustments that the United States and the Soviet Union have made, for their own reasons, are important contributors to this detente (the Soviet Union's "new thinking," and some of the changes she has made in her foreign policy have proved an important stimulus to the process), but these are not the fundamental factors behind the current detente. For changes in policy by and in the relations between the United States and the Soviet Union have to a large degree been forced upon the superpowers by international conditions, and to preserve their status as superpowers, the United States and the Soviet Union have had to bring their policies into line with global conditions and with the limits on their national power. This is the main reason why the current detente is by no means a passing phenomenon but instead possess a firm basis.

#### The Fundamental Causes of Detente

The profound global changes that have occurred since World War II may be summarized as follows. The postwar era is passing, and the international system is moving into a new era. The postwar global arrangement is fading, and new phenomena and features that are radically different from traditional concepts are appearing in international relations and life. It is these factors that are behind the relaxation in U.S.-Soviet and all international relations.

*I. Polycentricization promotes detente, and detente promotes polycentricization.* Economic polycentrism has already taken shape, political polycentricization is under way, and military bipolarism is weakening, so we are in the midst of a transition from a bipolar to a polycentric world. As to the "Yalta settlement," I believe the term refers primarily to the basic situation that arose in Europe after World War II, when the continent and Germany were divided into East and West and the NATO and Warsaw Pact politico-military blocs arose in direct confrontation. The settlement was linked to global bipolarization, which in turn was focused in Europe, but cannot be equated with the entire bipolarization process. To be sure, the basic arrangement in Europe has yet to change fundamentally, apparently will persist for quite a long time, and thus will remain an important relic and problem as the world moves from bipolarism to polycentrism. Nevertheless, we should not on this account underestimate the important changes that are occurring globally. To a certain extent, detente reflects these changes.

Growing polycentricization is linked to the weakening of bipolarism and to the growing restraints on the United States and the Soviet Union. *The historical conditions of this detente are very different from those of the 1960s and 1970s. This detente is not occurring in the context of rising U.S.-Soviet power but rather is the result of the relative weakening of U.S.-Soviet power, especially in economic terms; of the great difficulty the superpowers are experiencing domestically and externally; and of their need for a breathing spell.* After prolonged tense confrontation and a long arms race, in which each superpower has taken turns in the lead, the United States and the Soviet Union are utterly exhausted, not to mention the facts that Soviet economic problems are mounting so fast as to threaten the very foundation of that nation's superpower status and that the United States' economic might is insufficient to meet the real needs involved in her effort to win global hegemony. The United States is deeply aware that her strength is not up to the task of military and overall tests of national might with the Soviet Union, should she desire to engage in such tests, and to meet the competition and challenges posed by Japan and Western Europe, should she wish to attempt to preserve her economic hegemony. Thus the United States needs to change the rules of her arms race with the Soviet Union, to appropriately reduce her military confrontation with the Soviet Union, and to make corresponding readjustments in her global military deployment and her external commitments. The relative decline of the superpowers has further weakened their control over their respective allies and their influence in international affairs. Thus this detente, which has arisen within such a context, provides the various other forces in the world with an opportunity to improve their status and roles in the global arena and will certainly promote further polycentricization.

*II. The nuclear arms race is beginning to reverse itself.* The postwar era may be called the nuclear age, and nuclear weapons have consistently been the focus of the

U.S.-Soviet arms race and rivalry for strategic supremacy. The supersaturation of nuclear weapons has changed the traditional views of war and infused new factors into international relations. Although nuclear weapons are still required for deterrence and political purposes, no one dares to use them as a means of war. Thus a way out must be found, and this need has prompted change in American and Soviet military and arms development strategy. The two superpowers realize that reducing nuclear arsenals is in both their interest, so nuclear arms reduction has become the salient of this detente. *The United States and the Soviet Union have switched from a struggle for nuclear supremacy to the taking the first steps toward agreement to reduce and destroy an entire class of nuclear weapons.* This is a big shift that bears the characteristic imprint of the times and marks the passing of the nuclear age.

*III. Most countries of the world, including the United States, the Soviet Union, and other major nations, are giving priority to domestic, especially economic, problems.* This is a rare phenomenon in international relations, forms a major part of the context that has produced detente, and is closely related to the new characteristics and trends in international relations. *First*, domestic, especially economic, problems have been piling up in both capitalist and socialist countries, which need to carry out economic restructuring or readjustment of their industrial structures and economic and social policies. *Second*, the industrial technology revolution has accentuated the imbalance in global political and economic development, confronted all nations with new challenges and difficulties, and forced nations to give priority to the development of their economies and technology. *Third*, the status and roles of economic and technological factors in international relations are growing, while military force is declining in importance. Nations' status and roles in the world are increasingly determined by economic might, military methods cannot solve international problems, economic measures often achieve ends that military methods cannot, and excessive militarization and external commitment weaken nations' economic might and thus undermine their political clout. These factors are inducing most countries, including the United States and the Soviet Union, to focus inwardly on domestic development.

#### The Depth and Breadth of Detente

Postwar U.S.-Soviet relations have experienced three detentes. The ephemeral 1959-1962 episode began with politics and foundered on the Cuban missile crisis. That detente, which can only be considered to be a harbinger of transition to detente following prolonged cold war, yielded very minimal results, principally, the "spirit of Camp David," which was declared to have commenced following a summit meeting between the American and Soviet [as published] heads of state at Camp David in 1959 but which actually was devoid of substance. Then followed the Limited Nuclear Test Ban Treaty, whose

goal was to bind other nations hand and foot so as to preserve U.S.-Soviet nuclear monopoly and which had absolutely no effect on the accelerating U.S.-Soviet nuclear arms race.

The detente of the 1970s, which managed to survive as long as 7 years, started with arms control and collapsed over the issue of regional conflict and produced only limited hard results, principally accomplishing two things. First, this detente saw the working of the rules of the nuclear arms race, primarily in the form of two treaties limiting strategic arms and one treaty on anti-ballistic missiles, which agreements actually served to perpetuate the "escalating equilibrium" in American-Soviet strategic forces. The second was the confirmation, at the 35-nation Conference on Security and Cooperation in Europe, of the division of Europe and of Germany. Detente at that time was limited to Europe; regional conflicts were by no means included in the dialogue between the United States and the Soviet Union; the two superpowers each did her own thing in the Third World, over which they fiercely competed; and the Soviet Union gained a free hand to expand, ultimately invading Afghanistan, bringing this second detente to its demise.

Guided by nuclear arms reduction, the current detente is gradually expanding; has already exceeded, in certain important areas, the depth and breadth of the detente in the 1970s; and will certainly go farther. The advances of this detente are occurring in the following two major areas. *It has moved from arms control to arms reduction, that is, from "escalating" to "deescalating equilibrium," a substantial development in the history of arms control.* The INF Treaty provides for the dismantling and destruction of all nuclear missiles with a range of 500-5,000 km, the first agreement to cut and destroy nuclear weapons during this nuclear age.

#### Trends

The new detente is not only broader and deeper than the detente in the 1970s but is also more stable and is expected to last longer, at least until the end of this century. The primary basis for this prognosis are as follows. 1) The first two detentes were primarily the product of transitory American and Soviet policy, that is, were expedients. The current detente, on the other hand, is the result of 40 years of international change, is more solidly grounded, is not something that is up to just the United States and the Soviet Union, and even less can be lightly reversed at the whim of one American or Soviet leader. 2) During the detente in the 1970s, the United States was bogged down in the quagmire of the Vietnam war, faced both domestic and external difficulty, and was forced into strategic withdrawal. Meanwhile, the Soviet Union was growing in power and engaging in unbridled expansion. Thus the Soviet Union was on the offensive and the United States on the defensive, a strategic state of affairs that rendered detente unstable and fragile. Now both the United States and the Soviet Union are declining in relative terms, face



difficulties, and are aware of the limitations of their own national power. Neither side has the strength to break the strategic stalemate, and politically, economically and militarily a fairly long period of detente is required. The current detente has been characterized by concrete achievements. Beginning with the resolution of the central issue in U.S.-Soviet rivalry over Europe during the first half of the 1980s; medium-range missiles, the process moved to an American-Soviet agreement to remove Soviet troops from Afghanistan, a very sensitive issue in East-West relations. These achievements have helped to improve the stability of the current detente. 3) During the new detente, U.S.-Soviet rivalry for military supremacy and for spheres of influence has given way to an all-out test of national might, the core of which is high technology, and the focus of the arms race has shifted from nuclear to space weaponry, contests that will not be decided in the short term. And both countries are consolidating domestically in order to revive their power, an effort that also will not produce immediate results. Thus the deadlock between the United States and the Soviet Union will continue for quite some time.

*Since American and Soviet global strategies have yet to change, the two superpowers' strategic interests remain antagonistic and their relationship, essentially hostile, so detente will not be smooth sailing and will experience many twists and turns and ups and downs, and there will be many "communication breakdowns." Still, the general trend will be toward detente. During the new detente, U.S.-Soviet rivalry and confrontation will not end, but there will be changes in the form, content and spheres thereof, and continual dialogue will reduce hostility. Military confrontation will abate but not entirely disappear. Rivalry in the Third World will remain intense and continue for a long time, but the superpowers do not want to replay the massive, direct intervention in regional conflicts, so their rivalry will turn more to political, economic, and diplomatic arenas.*

From a long-term perspective, this new detente may be seen as a period of regrouping as the United States and the Soviet Union look to the 21st century to make their all-out test of national might and prepare for a new round of more extensive rivalry at a higher technological level. Will the all-out test of national might and the space-weapon race produce a winner? Will the balance in U.S.-Soviet forces be broken? Will detente be reversed? These questions merit study.

#### **Relations Between Soviets, Eastern Bloc, South Korea 'Thawing'**

40050187 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 23, 1 Dec 88 pp 22-23

[Article by Ruo Yu 5387 1946: "Relations Between the Soviet Union, Eastern European Countries, and South Korea: Thawing"]

[Text] As world tensions continue to ease up, the relations between South Korea and the Soviet Union and

Eastern European countries, frozen for more than 40 years, have begun to thaw. At the end of 1987, South Korea's president-elect Roh Tae-woo put forward his idea of a "three-phased policy toward the north: The relations between South Korea and the Soviet Union and Eastern European countries should expand from sport exchanges into economic cooperation and then the establishment of diplomatic ties." In March 1988, Roh Tae-woo again stressed at a meeting of "envoys" that "better relations with the socialist countries has become his major diplomatic goal," that efforts would be made after the Olympic Games to achieve "new breakthroughs" in improving relations with the socialist countries, and that he expected the "northern diplomacy" to have a significant impact on improving the situation on the Korean peninsula. At the same time, in order to carry out their domestic economic and political reforms, readjust their foreign policies, and open up to the outside world, the Soviet Union, and Eastern European countries also need to associate with South Korea. This has gradually opened long-closed doors, and the two sides have begun to deal with each other.

#### **Quiet Development**

After World War II, the Korean peninsula was divided into the north and the south. South Korea has never been recognized by the Soviet Union and Eastern European and other socialist countries. The two sides had virtually no contact with each other. However, since the beginning of the 1980's, even though the political barriers between them have remained intact, economic and trade exchanges have developed quietly. South Korean goods have found their way into Soviet and Eastern European markets, and timber, petroleum, and other raw and semifinished materials from the Soviet Union and Eastern European countries are brought in by South Korea's processing industries. According to statistics, the trade volume between South Korea and the Soviet Union and Eastern European countries was at least \$300 million annually. The figure rose to \$500 million in 1987. About 200 South Korean trading companies are engaged in indirect trade with the Soviet Union and Eastern European countries through their trade offices in Austria, Switzerland, Sweden, and West Germany. With the changing international situation and the readjustment of these countries' foreign policies, the relations between South Korea and the Soviet Union and Eastern European countries have been changing since early 1988 from indirect to direct contacts, from secret to open dealings, and even gradually from nongovernmental to governmental and diplomatic exchanges. This is an unprecedented new trend.

#### **Hungary Leads the Way**

Among the Soviet Union and Eastern European countries, Hungary was the first to improve relations with South Korea. Hungary was the first socialist country to sign up for the Olympic Games in Seoul. In June 1987, the Hungarian Chamber of Commerce and Industry and the South Korean Chamber of Commerce and Industry

reached an agreement to set up trade offices in one another's country. In March 1988, Hungary became the first socialist country to set up a trade office in Seoul. Particularly eye-catching was that on 13 September 1988, the day before the Olympic fire was kindled in Seoul, Hungary and South Korea reached an agreement on sending quasi-embassy permanent delegations to one another's capitals. The two sides also decided to begin talks on establishing diplomatic relations in the near future. Not long ago, when interviewed by a South Korean newspaper reporter, Karoly Grosz, general secretary of the Hungarian Socialist Workers' Party, indicated that he "hopes to visit Seoul soon."

#### **A Worthwhile Trip**

Just as the Soviet Union and Eastern European countries were eager to develop relations with South Korea, the Seoul Olympic Games provided an opportunity for them to make contact. The Soviet Union and Eastern European countries not only entered their names for the games, but sent sport teams and delegations to South Korea many times to participate in "warm-up exercises" and inspect the sports facilities. In addition to a sport delegation and liaison officers, the Soviet Union also sent a consular corps to Seoul to handle the consular affairs during the Olympic Games. The Soviet Theater's Ballet Troupe and the Moscow Symphony Orchestra also came and performed in Seoul. Accompanying the 600-strong Soviet sport delegation to Seoul were 300 Soviet "tourists" and a student "cheering squad." A large sculpture made on the spot by Soviet artists was erected in the Seoul Olympic Park. Roh Tae-woo himself attended the Soviet Ballet Troupe's performance and received the councillor of the Soviet Foreign Ministry who headed the consular corps. During the Olympic Games, large and small restaurants in Seoul served "goulash" as a special gesture to welcome the "guests from the north." The special plane carrying the Soviet sport delegation back home was jam-packed with South Korean products. The Tae-woo Co alone made a gift of 36 color television sets, 15 cars, and 1 copying machine. A Soviet athlete happily told reporters, "It's a worthwhile trip for us." Recently, when the vice president of the Soviet-Japanese Association visited Japan, he publicly said that the Soviet Union did not rule out the possibility of establishing diplomatic relations with South Korea.

#### **"Political Benefits" of the Olympic Games**

According to a South Korean economic weekly's report, South Korea earned a net income of 250 billion won, equal to about \$350 million, directly from the Seoul Olympic Games. This is only the calculable benefit. Incalculable in terms of money is the value of the breakthroughs in South Korea's relations with the Soviet Union and Eastern European countries brought by the Olympic Games. Even harder to measure is the impact of all this on the future. Mikhail Gorbachev, general secretary of the CPSU Central Committee, made it clear

at Krasnoyarsk: "The general improvement of the situation on the Korean peninsula might open the way for the Soviet Union to establish economic relations with South Korea." Not long ago, a Soviet Chamber of Commerce and Industry delegation visited Seoul on invitation and signed a series of economic and cooperation agreements with South Korea. The head of the delegation said that after 2 months, "the Soviet Union will announce a larger plan (than the one that opened the trade office)." According to reports, other Eastern European countries including Czechoslovakia, the German Democratic Republic, Bulgaria, and Poland will also set up trade offices in each other country with South Korea.

#### **Mutual Interests**

World opinion sees the development of relations by the Soviet Union and Eastern European countries with South Korea as mainly moves of economic self-interest. Hungarian officials said that Hungary has to seek any helping hand, including that of South Korea, that will help pull it out of its economic quagmire. Eastern European sources believe that South Korea's star attraction is its preferential trade terms. With the deadlock in current Soviet-Japanese relations over the issue of the northern territories, the Soviet Union sorely needs technology from South Korea in order to exploit its Far East and Siberia. Some note that Gorbachev in his Far Eastern speech on 16 September 1988 referred to South Korea as a "power" in the proposed "multilateral discussions" on Asian-Pacific security, which was in a sense recognizing South Korea as a country. The Soviet Union is attempting to expand its influence in the Asian-Pacific region by promoting relations with South Korea. As for South Korea, its interests in this affair are mainly political. On the one hand, it is attempting to enhance its own international prestige by associating with the Soviet Union and Eastern European countries, to gradually shed its image as a "little brother" to the United States, an image which is incompatible with its economic strength, and to build up its capital in dealing with the Democratic People's Republic of Korea. On the other hand, the huge markets of the Soviet Union and Eastern European countries also have a strong appeal to South Korea. Three major South Korean financial groups have already decided in principle to participate in the development of Soviet Siberia.

#### **Unknown Factors**

Subtle changes are taking place in the situation of the Korean peninsula and Northeast Asia as a whole. The rapid development of relations between the Soviet Union, Eastern European countries, and South Korea has given a push to these changes and caused considerable repercussions. First of all, the Democratic People's Republic of Korea has officially demanded that Hungary renounce the mutual establishment of permanent representative offices with South Korea, warning that Hungary should bear responsibility for all the consequences arising therefrom, if it turns a deaf ear to the DPRK's

repeated admonitions. Second, South Korea is increasingly unwilling to be a junior partner to the United States. Although Roh Tae-woo recently pledged to maintain "firm relations" with the United States, anti-U.S. sentiment among the South Koreans is mounting. Third, the Japanese people have "complicated feelings." Not long ago, Japan claimed that it was the only country capable of helping the Soviet Union exploit Siberia. Now Japan is worried that it might be cast aside. Fourth, in reaction to the development of relations by the Soviet Union and Eastern European countries with South Korea, the United States and Japan have begun to show greater flexibility in their relations with the Democratic People's Republic of Korea. The U.S. State Department has again authorized its diplomats to contact North Korean officials on neutral ground and will allow North Korean people from cultural, sports, and academic circles to pay unofficial visits to the United States. Japanese Prime Minister Noboru Takeshita also said, "It is time for Japan to improve relations with North Korea." All these developments are causing waves on the Korean peninsula. It is noteworthy that the tendency toward holding dialogues between North and South Korea has recently gained momentum. The DPRK has even come up with a package of peace proposals, including the phased disarmament on the Korean peninsula and the relaxation of political and military confrontations between the two sides.

International opinion has it that although the situation on the Korean peninsula cannot change fundamentally overnight, the further development of relations among the Soviet Union, Eastern European countries, and South Korea will have an increasingly great impact on the world.

## SOVIET UNION

### Supreme Soviet Lays Legal Foundation for Political Reform

40050234 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 52, 26 Dec 88 pp 26-27

[Article by Tang Xiuzhe 0781 0208 0772 and Sun Runyu 1327 3387 3768]

[Text] The Supreme Soviet of the USSR convened an extraordinary session from 29 November until 1 December, at which it passed amendments to the USSR constitution and a voting law for the Soviet People's Congress, thereby laying a legal foundation to serve political reform.

The amended constitution stipulates that the newly created highest power organ of the state—the Soviet People's Congress, has full powers to hear and resolve cases involving all important questions on USSR activities. This includes passing and amending the constitution, and 13 functions with regard to reaching decisions on the structure of ethnic states under Soviet jurisdiction, determining national boundaries and approving

changes to the boundaries between union republics, setting the basic direction of Soviet domestic and foreign policy, electing or approving state and government personnel selections, passing and implementing decisions reached by the National People's Congress, so forth and so on.

The Supreme Soviet of the USSR originally was the country's highest power organ. It now has been turned into a permanent legislative, administrative, and supervisory body with state authority. It still is composed of the Congress of Soviets and Congress of Nationalities. The Congress of Soviets is responsible for hearing socioeconomic development and state construction cases of national significance, as well as other important issues regarding the rights, freedoms, and obligations of Soviet citizens pertaining to Soviet national defense and state security. The Congress of Nationalities has priority in hearing questions regarding safeguarding national interests and the balance of power. It also is engaged in legislative work to improve national relations.

The post of head of the Soviet state has been turned to the chairman of the Supreme Soviet of the USSR. However, the chairman's jurisdiction has been broadened from that of the former chairman of the Supreme Soviet Presidium. Power over major domestic politics, foreign affairs, and national defense issues basically is concentrated in the hands of this one man. In order to avoid repeating the disastrous mistakes of history, the amended constitution stipulates a 5-year term of office for the chairman of the Supreme Soviet of the USSR, with reappointment not to exceed two terms. Furthermore, the People's Congress can remove his functions at any time by secret ballot.

The Supreme Soviet Presidium still is a component part of the highest Soviet power structure. Its functions are to guarantee and organize the work of the Soviet People's Congress and the Supreme Soviet. It also is conferred with full powers to implement the Soviet constitution and other laws.

The People's Congress shall select a supervisory committee of the Soviet constitution to oversee political authority at all levels as well as administrative decrees. It also sees whether the constitutions and laws of national republics are consistent with the Soviet constitution.

The main feature of the People's Congress' voting law is its practice of multiple candidates. The law changes the former traditional method in which there was only one candidate for Congress chairman, thereby making elections more democratic. The election law provides that Soviet citizens may not concurrently hold more than two congressional seats on the Soviet. Members of the Soviet ministers' conference (excluding the chairman), heads of any ministry or committee, judges, members of the USSR Supreme Court, general arbitrators of the Soviet



state, national arbitrators, and the chairman and members of the Soviet constitution supervisory committee cannot concurrently become representatives to the Soviet People's Congress.

The goal of revamping the structure and functions of the Supreme Soviet of the USSR is in the slogan "return all political power to the Soviet." To truly turn the Soviet into a representative organ of the people, it intends to: First, become more representative. In the past, there were only 1,500 delegates to the Supreme Soviet. The present number of delegates in the Soviet People's Congress has grown to 2,250. Besides delegates from electoral and national districts, there was an increase of 750 representatives of social organizations who can reflect the interests and needs of various collectives and social groups. Second, it intends to become more democratic. In the past, the Supreme Soviet of the USSR convened only twice each year, for one or two days at a time. Now, meetings still will be held twice per year, but for a period of three to four months at a time. This greatly extends the parliamentary period and ensures that representatives will have enough time to discuss problems they want to solve. The People's Congress is empowered to revoke decrees passed by the Supreme Soviet. It can reach decisions by a full vote. This will help better reflect the masses' needs. Third, it intends to become more supervisory. The newly created constitutional supervision committee will have overall supervision over legislative, judicial and administrative work, ensuring that the constitution is observed to the letter.

After the two legal drafts were promulgated in the last 10 days of October this year, some 300,000 opinions and suggestions were raised by the several million participants in the discussions. The majority supported the two drafts, although there were more than 7,500 opposing opinions. Several differing opinions also appeared in the representative statement of the Supreme Soviet Standing Committee. For example, when discussing the draft, many objected to the idea that one-third of the People's Congress representatives shall come from social organizations. They felt that this was not in keeping with the spirit of equal elections since members of social organizations have the opportunity to vote twice or even more than that although the vast majority of voters can only vote once in their electoral districts.

Quite a few people wanted voters to directly elect the Supreme Soviet and its chairman, instead of being drawn from the People's Congress. This measure also was rejected.

The draft stipulated that courts of law shall "be drawn from corresponding Soviet elections." However, there was strong mass reaction against this. It was felt to be counter to the resolution of the 19th Congress of the Soviet Communist Party. The amended constitution

restores the wording of that resolution. Namely, judges of districts, cities, provinces, and border regions shall be elected from among the upper levels of People's Congress Soviets.

The question of national relations attracted interest during discussions of the two drafts. On 16 November, the Supreme Soviet of the Estonian Republic passed its own sovereignty manifesto. Moreover, it amended several articles of its own constitution, stipulating that the Soviet constitution shall be effective in Estonia only after ratification by the Supreme Soviet Parliament of Estonia. Moreover, the Supreme Soviet of this republic shall be empowered to suspend or restrict the scope of Soviet law under certain conditions. This amendment had great repercussions in the Soviet Union. On 26 November, Gorbachev criticized it at a USSR Supreme Soviet Parliamentary meeting. On the same day, the parliament passed a law stating that both items violated the Soviet constitution, and as such, were invalid.

At the standing committee meeting of the Supreme Soviet of the USSR, Georgia and other republics indicated dissatisfaction with the wording of the constitutional amendment that "the People's Congress of the USSR is empowered to make decisions on questions regarding the composition of the Soviet Union." They contended that this conflicted with the current constitution's stipulation that "union republics are empowered to decide for themselves whether to remain in the union." The officially passed constitutional amendment regarding this matter was revised. It merely provides that the People's Congress of the USSR is empowered to make decisions on issues of national state structure within the USSR's scope of jurisdiction.

The draft constitutional amendments provide that the Parliament of the Supreme Soviet of the USSR "in order to safeguard the USSR, can declare a state of martial law or crisis for specific areas or the whole country, and furthermore enact special administrative measures." This clause also raised some opposition in the republics. The officially passed document was then changed to "the Parliament of the Supreme Soviet of the USSR, in order to safeguard the Soviet Union and the safety of its citizens, can declare a state of martial law or crisis for specific areas or the whole country only after consulting with the Supreme Soviet Parliament of the relevant union republic. In the above circumstances, special administrative measures may be enacted by the state organizations of the Soviet Union and union republic."

The draft constitutional amendments originally provided that the People's Congress of the Soviet Union has the authority "to rescind decrees passed by the Supreme Soviet of the USSR, the highest power organs of the union republics, and autonomous states that conflict with the constitution of the USSR." Now, only the part about the People's Congress having the authority "to

rescind decrees passed by the Supreme Soviet of the USSR" is retained. There is no mention of union republics or autonomous states.

Soviet leader Gorbachev repeatedly stressed in his speech that the Soviet Union is a big family of nationalities and that the friendship and trust between nationalities is of the utmost importance. He said that questions regarding the status of the republics and expansions of their authority would be discussed at the Central Committee meeting of

the Soviet Communist Party held in June of next year. He also recommended setting up special small work groups of representatives of various republics and experts in different areas to study and assign scopes of office to the Soviet Union and each republic in the union, and to coordinate well national relations. It is clear that broadening the power of republics and the state, and how to properly handle relations between the center and each republic, will become central tasks in the second stage of reforming the political system of the USSR.



## NATIONAL AFFAIRS, POLICY

### Review of Country's Economic Performance Over Past 10 Years

#### Comparison With Other Countries

40060273 Beijing JINGJI CANKAO in Chinese  
12 Dec 88 p 1

[Article by Huang Jian 7806 0256 and Huang Jiaquan 7806 1367 0356 of the Research Office of the State Council: "Progress and Disparities—China's Economic Achievements in 10 Years of Reform and Opening Up and International Comparisons"]

[Text] Up to 1988, it has been exactly 10 years since China initiated its policy of reform and opening up. How did China develop during these 10 years? Compared with its past history, China's achievements have been outstanding, as all the world knows. But looking at the world at large, how did we fare, compared with developments in other countries during the corresponding period of time? The present article intends to cite figures and facts for an international economic comparison, and thereby demonstrate progress and disparities in China's economic developments since 1978.

#### I. On the Methodology of International Economic Comparisons

International economic comparisons are presently done primarily by comparing the GNP [gross national product], because the GNP is the aggregate value of a country's goods and labor during a certain period of time. It reflects comprehensively a country's level of economic development and its actual position. Since currencies differ, the traditional method for comparing GNP is to convert local currencies at the official rate of exchange into United States dollars. However, exchange rates are not permanent and normally fluctuate. This fluctuation is subject to the influence of supply and demand on the currency in question and subject to the influence of import-export trade on the international money market, and it, furthermore, does not altogether truthfully reflect the actual purchasing power of the various currencies in relation to each other. It is therefore unavoidable that errors occur in international comparisons. For instance, computed according to the 1980 comparable prices, China's 1978 GNP was 374.2 billion yuan, and in 1987 it was 842.1 billion yuan, it has thus had a 2.25 time increase. However, if converted into U.S. dollars according to the prevailing exchange rates at that time, the 1987 GNP shows a decline of 10 percent compared to 1978 GNP. This is obviously not the true state of things, and distorts the objective fact of China's economic growth. Even larger errors occur in international comparisons due to changing exchange rates. Between 1980 and 1986, China's GNP increased at an annual rate of 9.2 percent and Japan's at 3.7 percent. However, due to the appreciation of the Japanese yen—its exchange rate improved from 203 to 159.1 yen per

\$1.00—and the drop in the exchange rate of the yuan, namely from 1.49 to 3.54 per \$1.00, the GNP, if converted to U.S. dollars, shows the following picture: In 1980, the Chinese GNP was one-quarter of the Japanese, in 1985 it became one-fifth, and in 1986 one-sixth of Japan's GNP. Some have concluded from these figures that the disparity between China and Japan is fast increasing, because they ignored the fact that it is impossible to compare the two in this way due to the intervening changes in exchange rates. It is true that a change in the exchange rates reflects to a certain degree the economic development of a country, but to conclude that the disparity between China and Japan has widened to that extent in the short period of 5 or 6 years is obviously not objective and will hardly convince anyone.

Precisely because of the shortcomings of comparisons based on conversion to U.S. dollars at exchange rates, the UN has gradually and on a trial basis instituted a method based on the parity values of purchasing power. This means computing the actual expenditure in the various currencies on certain kinds of representative products, and of labor, of the same specifications and quantities, computing the purchasing power of the different currencies, and from these figures obtain the GDP [gross domestic product] in international dollars. Computing the parity value of purchasing power is an extremely complex piece of system engineering, involving 151 categories and 500 kinds of products, for which a composite statistical system and new classification standards are needed. According to an analysis of the Rand Corporation of the United States, using the method of purchasing power parity values, the Chinese per capita GNP is much higher than \$310 and has reached an impressive figure. Estimated at an annual growth rate of 4.6 percent, China's GNP, by the year 2010, will slightly exceed Japan's and become second in the world, just behind that of the United States. In a recent report, the U.S. Long-Range Comprehensive Strategy Committee, organized by 13 authoritative persons, among them Kissinger and Weinberger, has recently expressed the greatest interest in this conclusion. But how reliable is this forecast? Most U.S. Sino-logists consider the estimate too "optimistic." One of China's leaders called the Rand Corporation forecast "well-meaning exaggerations" in favor of China.

To sum up, we may perhaps be justified in adopting the following initial views: 1) The scientific comparison of international economies is still a problem that awaits solution. The traditional method of conversion according to exchange rates, as well as the method of using purchasing power parity values, both still have limitations. 2) The economic condition is a complex variable composed of many closely intertwined elements. Using only one or several indices for a comparison will easily lead to lopsided conclusions. Only by conducting a comprehensive comparison of many aspects, on many levels, and of many indices, will we be able to obtain from comparisons any conclusions that will truly conform to objective reality.

## II. Comparison of Growth Rates and Economic Returns

Although it is not true that the faster a country's rate of development the better for that country—low economic returns are often the companion of super-speed development—the growth rate is still presently a feasible way to measure a country's economic development. In order to reduce the disparity with the international level, it is still necessary for China to maintain whatever high growth rate China is capable of achieving. We shall first conduct an analytical comparison according to GNP, GDP, and conditions in agriculture, industry, and service trades. For main indices, see table 1:

**Table 1: Comparison of Average Annual Growth Rates (1980-1985)**

	GNP*	GDP	Agriculture	Industry	Services
World, total	2.6				
China	9.2	9.8	9.4	11.1	7.5
Developed Countries	2.3	2.3	1.5	2.5	2.0
United States	2.1	2.5	1.8	2.4	2.6
Japan	4.0	3.8	1.6	5.9	1.6
Canada	2.7	2.4	0.5	-0.6	2.7
Developing Countries	3.0	3.3	4.0	3.5	2.8
India		5.2	2.7	5.4	7.5
Brazil		1.3	3.0	0.3	1.8
South Korea		7.9	6.3	9.6	6.7

\*Source for GNP annual growth rates 1980-1986: INTERNATIONAL ECONOMIC AND SOCIAL ABSTRACT; sources for other data: 1987 WORLD DEVELOPMENT REPORT.

Table 1 shows that from 1980 to 1986 the growth rate of China's GNP was far above average world level, and also higher than that of the developing countries (territories) and of the Western developed countries. According to the 1987 World Development Report of the World Bank, China ranked second in GDP growth rate among the 119 countries (territories) statistically surveyed, second only to Botswana. In the agricultural sector, China's growth rate was second only to that of the United Arab Emirates; in the industrial sector, China ranked fifth; in the service trade sector, first; in the amount of investment, China ranked second; and the consumption expenditure of its population increased 7.7 percent, which placed China first in the growth rate of this category.

Generally speaking, China's economic growth was characterized by: 1) A continuously steady rate of development, without many large ups and downs; 2) A gradual trend toward good coordination between the large proportionate relations and a gradual rectification of the industrial structure, overall development of agriculture, industry, and service trades, and improvement of macro-economic returns; 3) Increased vitality in socio-economic activities, especially in the vitality of enterprises. We can thus assert that the rate of China's development during the 10 years since the 3d plenum of the 11th CPC Central Committee has indeed been very substantial.

As to economic returns, China has registered large increases in recent years. Comparing 1986 with 1978, the output value of energy rose 41 percent, and labor efficiency rose 57.6 percent. Even so, however, there is a large disparity between these two indices and comparable average world levels. Viewed from this angle, China's growth rate in recent years has been gained by a reliance to a large extent on a large input of capital, natural resources, and manpower. With regard to increased economic returns, especially economic returns of enterprises, much effort is still required. For main indices, see tables 2 and 3:

**Table 2: Comparison of Output Value of Energy (Computed at 1980 prices and exchange rates)**

	1986/1978 growth (%)	1979-1986 average annual growth (%)
World level	10.3	1.2
China	41.0	4.4
United States	29.0	3.2
Japan	32.4	3.6
Canada	20.9	2.4
India	20.5	2.8
Brazil	15.0	1.8
South Korea	7.9	1.0

**Table 3: Labor Efficiency (Computed at 1980 prices and exchange rates)**

	1986/1978 growth (%)	1979-1986 average annual growth (%)
World level	-1.8	-0.2
Developing countries	-4.2	-0.5
China	57.6	5.9
United States	3.4	0.4
Japan	26.2	3.0
Canada	5.7	0.7
India	25.8	2.6
Brazil	1.6	0.2
South Korea	46.1	4.9

\* For China, computed according to the number of social workers, for other countries (territories) computed according to the number of people engaged in economic activities.

## III. Comparison of Volume of Goods Produced

While leaving out the incomparable price factor, the production of main items of agricultural and industrial products can fairly truthfully reflect the economic strength and development of a country. The following paragraphs are analyses and comparisons of production of major industrial and agricultural products, such as grain, cotton, meat, steel, raw coal, crude oil, and electric power.

In 1987, China produced 58.87 million tons more grain than in 1978; this amounts to 51.8 percent of the total increase of grain production throughout the world. In 1978, China's grain production was by 9.5 percent below

that of the United States; in 1987, it was 30.7 percent above that of the United States. In 1978, China's grain production amounted to 16.79 percent of the world's total grain production, and on a per capita basis it is 75.3 percent of the world's per capita level. By 1987, these

two figures had increased to 20.56 percent and 96 percent, respectively. In other words, China's present average per capita grain production has essentially reached the world's per capita level. For main indices, see table 4.

**Table 4: Grain Production, Total and Average Per Capita**

	1978 (million tons)	1987 (million tons)	1987/1978 percent growth	1978 per capital (kilos)	1987 per capita (kilos)
World, total	1,580.82	1,771.76	12.1	369	354
Developing countries	730.56	921.12	26.1	235	244
China	265.46	364.33	37.2	278	340
United States	276.70	278.73	0.7	1,265	1,143
Japan	17.10	14.61	-14.6	149	120
Canada	41.50	51.22	23.4	1,767	1,997
India	143.02	147.20	2.9	226	190
Brazil	24.02	44.22	84.1	208	313
South Korea	9.62	8.42	-12.5	260	200

**Table 5: Cotton Production, Total and Average Per Capita**

	1978 (million tons)	1987 (million tons)	1987/1978 percent growth	1978 per capital (kilos)	1987 per capita (kilos)
World, total	12.95	16.53	27.6	3.0	3.3
Developing countries	7.59	10.13	33.5	2.4	2.7
China	2.17	4.25	95.9	2.3	3.9
United States	2.36	3.21	36.0	10.8	13.2
India	1.35	1.30	-3.7	2.1	1.7
Brazil	0.48	0.52	8.3	4.2	3.7

In explanation of table 5: Comparing 1987 with 1978, world production of cotton increased 27.6 percent, while China's production almost doubled, which increased its share of the world's production from 16.76 percent to

25.71 percent. The average per capita amount by then increased to 18 percent over that of the world's average per capita figure.

**Table 6: Meat Production, Total and Average Per Capita**

	1978 (million tons)	1987 (million tons)	1987/1978 percent growth	1978 per capital (kilos)	1987 per capita (kilos)
World, total	105.00	120.64	14.90	24.7	24.1
Developing countries	37.47	45.44	21.27	12.0	12.1
China	8.56	19.86	132.0	9.0	18.5
United States	17.20	17.57	2.2	78.6	72.0
Japan	1.60	2.15	27.2	15.0	17.6
Canada	1.74	1.94	11.5	74.0	76.0
India	0.65	0.95	46.2	1.0	1.2
Brazil	3.21	3.55	10.6	27.8	25.0
South Korea	0.27	0.67	148.1	7.3	15.9

According to table 6, comparing 1987 with 1978, the world's production of pork, mutton, and beef increased 14.9 percent, but in China by 132 percent, thus raising China's share in world production from 18.15 percent to 16.46 percent. The average per capita production in China more than doubled and exceeded Japan and South

Korea, while total annual production was as much as the combined production of Japan and the United States.

Comparing 1987 with 1978, the world's production of steel increased 3.6 percent, but production declined in the United States, Japan, Canada, and South Korea

(steel ingots only), and adjustments were started in industrial structures. During the same period, China increased its steel production by 77.1 percent. In per capita quantity almost equal to South Korea, but less than the world per capita level of 40 percent. During the same period, the world's output of raw coal increased by almost 50 percent, and China, starting out from an

output of 618 million tons, made corresponding progress, reaching a total output of 928 million tons, a per capita output of 865 kilos, close to the world's average per capita output and more than Japan with 197 kilos, India with 241 kilos, Brazil with 55 kilos, and South Korea with 555 kilos. For main indices, see tables 7 and 8:

**Table 7: Steel Production, Total and Average Per Capita**

	1978 (million tons)	1987 (million tons)	1978 per capita (kilos)	1987 per capita (kilos)
World, total	665.00	689.04	155	133
China	31.78	56.28	33	53
United States	124.31	88.46	568	363
Japan	102.11	91.92	889	753
Canada	14.90	14.83	635	578
India	10.02	11.99	16	16
Brazil	9.03	22.16	78	157
South Korea	3.14	2.65	85	63

**Table 8: Raw Coal Output, Total and Average Per Capita**

	1978 (million tons)	1987 (million tons)	1978 per capita (kilos)	1987 per capita (kilos)
World, total	3,015.00	4,521.00	704	904
China	618.00	928.00	646	865
United States	598.96	829.92	2,738	3,406
Japan	19.03	13.06	166	107
Canada	30.48	61.21	1,298	2,386
India	104.90	186.96	166	241
Brazil	4.58	7.83	40	55
South Korea	18.06	23.36	488	555

Tables 9 and 10 show that the world crude oil output between 1978 and 1987 declined by 1.5 percent, while China's output increased 28.9 percent. The world's electric power production increased 29 percent, while China's production increased 93.8 percent. Although

China's output of crude oil and electric power increased rapidly, its share in world production was extremely small, namely 4.86 percent and 5.22 percent, respectively. Its per capita production was only about one-fifth of world level.

**Table 9: Crude Oil Output, Total and Average Per Capita**

	1978 (million tons)	1987 (million tons)	1978 per capita (kilos)	1987 per capita (kilos)
World, total	2,920.09	2,876.22	682	575
China	104.05	134.14	109	125
United States	429.20	409.91	1,967	1,682
Japan	0.54	0.60	5	5
Canada	64.27	72.35	2,737	2,827
India	11.27	30.14	18	39
Brazil	8.00	28.46	69	201

**Table 10: Electric Power Output, Total and Average Per Capita**

	1978 (billion kwh)	1987 (billion kwh)	1978 per capita (kwh)	1987 per capita (kwh)
World, total	7,392.0	9,535.5	1,736	1,957
China	256.6	497.3	268	463
United States	2,286.0	2,670.3	10,452	10,954
Japan	564.0	553.8	4,909	4,536
Canada	335.7	482.1	14,297	18,795
India	110.1	198.1	174	256
Brazil	112.6	214.4	976	1,516
South Korea	31.5	74.0	851	1,759

Table 11 reveals the changed position of China in the world with regard to the production of major agricultural and industrial products.

**Table 11: China's Position in the World as Producer of Major Products**

Products	1978	1987
Grain	2	1
Cotton	3	1
Meat	3	1
Steel	5	4
Raw Coal	3	1
Crude Oil	8	5
Electric Power	7	4
Cement	4	1

Development of the transport industry reflects in an indirect way a country's state of economic development, as it also ensures an indispensable precondition for sustained growth of its national economy. The volume of goods transported by China's means of transportation during 1987 had increased almost 2.26 times, compared to 1978, and the transportation of passengers 3.4 times. Goods handled at the main ports along the coast increased by 84.6 percent. However, in overall perspective, there is still a large disparity if we compare China's transportation with that of other countries. Compared with the United States, for 1985, China's volume of goods turnover by railway was not even two-thirds, that of goods loaded and unloaded from ships not even one-fifth, and the volume of passengers and goods transported by air only 2.44 and 3.65 percent of that of the United States. The backward state of China's transport industry is obviously quite inadequate to meet the demands of China's economic development. See table 12:

**Table 12: Comparison of Transportation Indices (1985)**

	Railway turnover capacity (billion ton/km)	Sea transport (million tons)		Air transport Passengers (1 billion passenger/km)	Freight (1 billion ton/km)
		Loading	Unloading		
China	821.6	62.06	69.43	11.70	0.42
United States	1,310.4	317.46	357.65	478.62	11.52
Japan	22.1	93.82	603.28	64.03	3.13
Canada	232.0			32.22	1.07
India	196.8			14.88	0.52
Thailand	2.7	18.52	17.38	11.28*	0.49*
Singapore		40.31	59.23	21.74	1.02
Brazil		146.36	48.86	12.32	0.74

\* 1986 figures

#### IV. Comparisons of International Trade

A country's import-export trade indicates the degree to which this country participates in international economic interchanges, as it also indicates that country's level of economic development. In the 10 years since

reform and opening up, China has achieved progress of a breakthrough nature in the attraction and use of foreign capital, engineering contracts and labor services abroad, the development of international tourism, as well as in import and export trade. For indices of import and export trade, see table 13:

**Table 13: Comparison of Total Values of Import and Export Trade (at current prices)**

	1978		1987		1987/1978	1979-1987
	Amount (billions of dollars)	World percentage	Amount (billions of dollars)	World percentage	Percent growth	Percent growth
World Exports	1,302.3	100	2,480	100	90.4	7.4
Imports	1,354.6	100	2,575.5	100	90.1	7.4
China Exports	9.8	0.8	39.5	1.6	303.1	16.8
Imports	10.9	0.8	43.2	1.7	296.3	16.5
United States Exports	141.2	10.8	252.9	10.2	79.1	6.7
Imports	184.7	13.6	424.1	16.5	129.6	9.7
Japan Exports	97.5	7.5	229.2	9.2	135.1	10.0
Imports	79.3	5.9	149.5	5.8	88.5	7.3
Canada Exports	46.6	3.6	94.4	3.8	102.6	8.2
Imports	43.9	3.2	87.6	3.4	99.5	8.0
India Exports	6.6	0.5	11.1	0.4	68.2	5.9
Imports	7.9	0.6	16.4	0.6	107.6	8.5
Brazil Exports	12.5	1.0	26.2	1.1	109.6	8.6
Imports	14.5	1.1	16.3	0.6	12.4	1.3
South Korea Exports	12.7	1.0	47.2	1.9	271.2	15.7
Imports	15.0	1.1	40.8	1.6	172.0	11.8



From 1978 to 1987, China's total imports and exports increased at an astonishing rate, not only far above the average growth rate of the world, but even at a higher rate than the fast-rising rate of South Korea, one of the "four little dragons of Asia." Even though China's imports and exports account for a very small share of world trade, China advanced rapidly in its ranking, its exports moved from 32d to 14th place, imports from 27th to 11th place, and import-export trade together moved from 28th to 12th place. A fact that is easily overlooked is that in 1987 imports and exports accounted for 27.9 percent of China's GNP, 15 percent of India's and Brazil's, 20 percent of the United States' and Japan's, and over 60 percent of South Korea's and Canada's GNP. Considering the realities of the present situation and future development, China need not, and cannot make trade the foundation of the state. At the present stage, when its economic and technological levels are rather low, and its competitiveness rather limited, having the share of its foreign trade volume in the GNP

exceed that of Brazil's and India's, even higher than that of the United States and Japan, is a problem that should have our attention and deserves our study.

#### V. Comparison of Science, Technology, and Education

Science, technology, and education reflect the logistics of a country's economic development. In a comparison of international economies, we should, therefore, include an analysis of science, technology, and education. Because we lack uniform data and material, we are in this chapter mainly comparing the science, technology, and education in China, India, Brazil, the United States, and Japan. The United States and Japan, representing highly developed countries, and Brazil and India being the most impressive large countries among the developing countries, all differ from China in geographical environment, social systems, and developmental directions.

First, let us examine the scientific and technical input of the five countries under the two aspects of manpower and expenditure.

**Table 14: Comparison of Science and Technology Manpower**

Countries	Total S&T Personnel (millions of people)	Scientific and Engineering Personnel (millions of people)	Scientific and Engineering Personnel per million of population
China (1985)	7.812	1.033	975
India (1985)		2.470	3,289
Brazil (1982)	4.436	1.362	10,740
United States (1982)		3.432	14,777
Japan (1982)	37.050	7.046	59,636

The above table reveals that India obviously has a larger contingent of scientists and engineers than China and Brazil. According to the latest statistical data, China's total science and technology personnel is 8.89 million, therefore it may presently be considered at about the same level as Brazil, but when we look at the figures for scientists and engineers per 1 million people, Brazil is far ahead of China. Brazil is closer to the U.S. figure, and at least 3 times the Indian figure, while India is more than 3 times again the Chinese figure.

In total expenditure on science and technology, China stands alone far ahead of the other developing countries.

The state's expenditure on science and technology increased from 52.9 billion yuan in 1978 to 11.28 billion yuan in 1987. According to the general survey of 1985, government scientific research institutes spent 7.09 billion yuan that year, educational departments spent on research and development 518 million yuan, and enterprises invested 5.324 billion yuan in technological development. Not including scientific and technological expenditure of the defense departments, the state's total expenditure on science and technology was at least 12.94 billion yuan, which accounted for 1.6 percent of the GNP in 1985. For an international comparison, see the next table.

**Table 15: Comparison of Expenditure on S&T**

Countries	Percentage of GNP	Per Capita Expenditure		Per Capital Expenditure on Scientists and Engineers in R&D
		National Currency	Dollars	
China (1985)	1.6	12.4yuan	4.3	13,900
India (1985)	1.0	25.6 Rs	2.0	14,700
Brazil (1982)	1.0	2,407.1 Cr\$	9.5	37,200
United States (1983)		2.7	376	133,100
Japan (1983)		2.6	254	56,900

The above table reveals that as far as total expenditure for science and technology is concerned, China is ahead of India and Brazil by over double the amounts involved. In the proportion of GNP, China with 1.6 percent is ahead of

India's and Brazil's 1 percent. In per capita science and technology expenditure, Brazil precedes China and India, but all three are below \$10, and spend infinitesimally little compared with the developed countries. All indices of

these three large developing countries are less than those for the developed countries. In the case of China, though not far away from the developed countries in science and technology manpower, its investment is only 5 percent of that of the United States and 15 percent of that of Japan.

Let us again analyze the scientific and technological output by analyzing scientific and technological productivity through an analysis of such indices as the amount of literature produced, technological exports, etc.:

**Table 16: Comparison of S&T Literature (SCI)**

Country	1978 Position	1986 Pieces	Percent of Total World Amount	Position	1985-1986 Relative Rate of Increase
China	32	4,508	0.72	20th	24%
India	7	11,000	1.8	11th	6%
Brazil	27	3,373	0.54	25th	8%
United States	1	256,330	40.1	1st	-1.2%
Japan	4	41,685	6.7	4th	

Table 16 reveals that in international scientific circles, India has produced more scientific literature than China and Brazil. According to statistics, articles published internationally by India during the period from 1978 to 1980 are 14 times more than those of China and 8.5 times more than those of Brazil. However, in recent years articles published by China have rapidly increased. Articles presently published by China and listed in SCI (Science Citation Index) exceed those of Brazil and are about 40 percent of those of India; their relative rate of increase has been 24 percent for the period from 1985 to 1986. In 1986, China's articles listed in the STP (?Index to Science and Technology Conference Proceedings) have for the first time exceeded those of India, and China has moved from its 1985 position of 19th to 14th position, with a relative annual increase rate of 71 percent, while India occupied 16th and Brazil 28th position. However, articles by the three countries were quoted at a low use rate, for Brazil the rating was 1.33, for India 0.8, and for China 0.43, far below the 3.7 rate for the United States and 2.53 rate for Japan. This indicates that articles from these three countries had been of a relatively low quality.

Ability to export technologies directly reflects a country's technical competitiveness. Other than for China and India, there is no uniform data for technological exports from Brazil, which makes it difficult to determine the scope of its exports. In 1987, China earned \$162 million in foreign exchange from its technology exports, which exceeded the total amount for the period from 1979 to 1986, and was seven times that of 1986. What deserves to be pointed out is that some advanced

Chinese technologies have begun to attain a certain international competitiveness. For instance, China is providing a French company with the services of a retrievable satellite carrying service. China is also negotiating and contracting with more than 20 states and certain internationally organized companies for satellite accommodation and launching services. However, overall, since China has just started technological exports, its scope may still be smaller than that of India and Brazil, perhaps as large as the level of Brazil in the early years of the 1980's.

Let us now analyze the reserve forces of science and technology, namely the situation in higher education. In 1987, students attending regular Chinese institutions of higher learning had increased 2.3 times. In 10 years, the total number of undergraduates and graduates from special training classes that had come out of institutions of higher learning amounted to 2,692,000, graduates from adult higher education classes numbered 4,451,000, and 82,000 were graduate students. But even with these figures, compared with the two developing countries of India and Brazil, China is still somewhat backward in higher education. Table 17 shows that China has a comparatively large number of teachers at its institutions of higher learning, but the number of students in 1987 is still at the level of Brazil in 1982. We also see that the number of students in India is double the number of students in China and Brazil. From the standpoint of the ratio of school age children entering school, China's figure is even lower, only 2 percent, while India's and Brazil's figures are 9 and 11 percent, respectively, the ratio is even higher for the United States and Japan.

**Table 17: Comparison of Higher Education**

Countries	Number of Teachers (thousands)	Number of Students (thousands)	Teachers to Students (ratio)	Percentage of College Students to School-Age Population
China (1987)	385	2,065	1:6	2
India (1985)	278	3,440	1:12	9
Brazil (1982)	122	1,640	1:12	11
United States (1982)	392	12,430	1:32	66
Japan (1983)	230	2,410	1:11	30

Since 1978, in a time of increasing stringency of funds at the treasuries of the various countries, China increased educational expenditure year after year. The increase from 1978 to 1987 was a 3.4 times increase, at an average annual rate of 14.7 percent, which was in excess of China's increase in state revenue. However, when we look at the share of the GNP taken up by educational expenditure, China's current educational expenditure is comparatively low. See table 18.

**Table 18: Comparison of Proportions of GNP for Educational Expenditure**

	1975	
World, total	5.8	5.8 (1985)
China		3.74(1985)
United States	6.5	6.8 (1983)
Japan	5.5	5.6 (1983)
Canada	7.8	7.2 (1985)
USSR	7.6	6.6 (1983)
India	2.8	3.7 (1985)
Brazil	3.0	2.9 (1984)

## VI. Some Conclusions

As a result of summing up the above comparisons, we may perhaps formulate the following conclusions:

A. Since the reform and the opening up 10 years ago, the economic disparity between China and the world has, overall, distinctly narrowed, and we have reason to be proud of this fact. The main basis for this assumption is: (1) The economic growth rate is higher than average world level and that of developed countries, which has resulted in a relative narrowing of the economic disparity between China and those countries. (2) Economic strength has evidently increased, major industrial and agricultural products have moved up in world ranking, occupy a larger share in the world, and though the per capita level is not high, overall strength has increased and has raised China's international economic position and economic influence. (3) Per capita production of main agricultural products and raw coal has essentially come close to the world's average per capita level. (4) Rapid development of foreign trade has greatly increased China's participation in the world economy. We have reason to believe this to be true. If we compare what we ourselves have done, we have made outstanding achievements in the 10 years of reform and opening up, and if we compare China with other countries, our achievements are no less remarkable. Even though certain problems have now arisen in the reform, this fact must certainly not have us deny the huge achievements of the past 10 years of reform. Because there is still an economic disparity between China and the world, we must not close our eyes to the huge progress that has been achieved in the hard work of the past 10 years to narrow the gap, and there is even less reason to blindly belittle what has been done. There is no basis for pessimism and disappointment.

B. Presently, economic disparities still exist to a great extent between China and the world, and we must not slacken our efforts because of the great achievements of the past 10 years. These disparities mainly manifest themselves in the following: (1) Poor economic returns; to a certain degree, the speed of China's development has been accomplished by exerting ourselves to the utmost in investing capital, in exploiting natural resources, and in utilizing manpower. These conditions cannot be maintained indefinitely. (2) Items of the infrastructure, such as energy sources, transportation, post and telecommunications, still constitute weak links in China's economy. (3) Science, technology, and education are the foundation of the state, but China shows large disparities, starting from its educational expenditure right down to the quantity and quality of qualified personnel. Under no circumstances must we emphasize merely our efforts and tempo of catching up and deny the seriousness of the existing disparities. We must also not merely emphasize the developmental successes and be blind to the serious impact of the many problems still being faced in our economic development.

C. Reviewing the past is for the purpose of assessing the future, and comparing disparities is for the purpose of narrowing the gaps. The practice of 10 years of reform and opening up tells us: We have the capability of gradually reducing our economic gap with the world, we are full of confidence on this point. However, our disparity with the world, in particular with the developed countries, is the result of 100 or 200 years. To reduce the gap will, therefore, also require a lengthy historical process. It is quite impossible to fully catch up with the developed countries through 8 or 10 years of reform and construction. Don't be overanxious for quick results and don't raise hopes too high. The key to reducing the gap now is not in speed, but in raising economic returns, in developing science, technology, and education. This is the only way to ensure and increase the development of our logistics, and the only way that will provide an excellent foundation for our efforts to reach the level of the world's developed countries.

Note: All basic figures used in this article have been checked by the State Statistics Bureau.

## Further Comments

40060273 Beijing JINGJI CANKAO in Chinese

17 Jan 89 p 1 (sb)

[Article by Shen Liren 3088 4539 0086: "Only by Letting Speed Slide Down the Hill, Can We Have Economic Returns Go Up the Hill"]

[Text] The article "Progress and Disparities—China's Economic Achievements During 10 Years of Reform and Opening Up and International Comparisons" was a piece of good, convincing writing, which attracted much attention. Unfortunately, it contains a fault, which has already become customary, in that it lacks a scientific analysis of the economic growth rate of which China has been so proud for a long time, when it asserts that



China's "economic growth rate exceeds the average world level and that of the developed countries, and as a consequence will narrow the relative economic disparity between China and those countries." Although the article also points out that "the fastest rate of development is not at all the best—low economic returns are frequently the companion of high-speed growth," there is no overall evaluation of the relation between the two factors and their consequences. People will therefore be easily misled into a fascination with high speed and forget to watch out for low economic returns.

It is clear from simple statistical data for the first 30 years after founding of the PRC, that China's economic growth rate appears to have indeed "exceeded the average world level and that of the developed countries." The cruel truth, however, is that, taking the country's GNP as standard, China's share in the world economy declined, and its disparity (absolute and relative) with the developed countries widened. Finally, computed according to average per capita value, China's economy wavered at about 20th from the bottom. For the last 10 years, the situation has changed, the economic growth rate has risen further, and although there have been some considerable fluctuations, there has never been zero growth or negative growth. However, economic returns have not been stable, and have even been going down in recent years, so that in the end serious structural imbalances occurred, and there was no other choice but to effect yet another round of adjustments.

In view of the economic situation during the last 2 years, people have raised a question that is hard to answer: Since economic growth has all along never been less than double digits, which means there has been a continuous strengthening of economic power, why is the real living standard of a considerable proportion of the urban and rural population declining? In other words, where did the large amount of material wealth, created by economic growth, end up? Concrete exploration may perhaps point to the following causes: First, there are certain insubstantial elements in the economic growth rate, especially when gross output value is taken as basis, and national income and GNP is computed on that basis, without the possibility of eliminating the almost daily increasing duplicative accumulations and price deviations in the gross value of industrial output (for instance, the use of current prices instead of fixed prices). Second, considering only output and never input leads to an even higher output-input ratio and an ever lower input-output ratio, causing an overall reduction in the whole series of return indices (including product value to tax-profit ratio, capital to tax-profit ratio, labor to tax-profit ratio, etc.). Third, the extreme wastefulness in the use of various natural resources and in the use of national income, manifested in the increase of material waste, increase in the wage component, idling of equipment, increase in accidents, and wasteful extravagance of group consumption, which all results in much material and wealth being irrevocably squandered. Fourth, the unfairness in distribution; a minority of people who are

allowed to become prosperous in advance of the rest increase their share of consumption funds, while the rest of the population is left with a reduced share and suffer a decline in their real living standards. This is, reduced to one point, having low actual economic returns pay for sham high speed, which lowers China's effective economic growth rate far below the nominal speed of its economic development.

It must be pointed out that at the present time of rectifying and reordering the economy, a tendency has appeared of fearing a "landslide" down the hill. What people fear is a speedy slide downward, without any improvement of economic returns. This tendency admonishes us: If the present policy of rectifying and reordering the economy will be adhered to to the end, and the output value of industrial products will be pushed down to less than 10 percent, this will not be an economic recession, but indeed the ideal economic growth. We must free ourselves from the traditional fascination with high speed development and embrace a new concept of high economic returns, only then can there be hope for China's economic development to advance onto a healthy road, and only then is there hope that a new general dislocation can be averted.

**JINGJI YANJIU Reflects on 10 Years of Reform**  
HK2302000289 Beijing JINGJI YANJIU [ECONOMIC  
RESEARCH] in Chinese No 11, 20 Nov 88 pp 11-30

[Article by Hua Sheng 5478 3932 and Zhang Xuejun 1728 1331 6511 of the Institute of Economics under the Chinese Academy of Social Sciences, and Luo Xiaopeng 5012 1420 2590 of the Development Research Institute under the State Council Rural Development Research Center: "Ten Years of Reform: Review, Reflection, and Prospects; Part Two—Reflection"]

#### I. Behind the Superficial Phenomenon

We have reviewed and analyzed difficulties in all spheres of the reform and concluded that it has been moving forward steadfastly. Now, we can answer in general terms the three questions raised at the very start of this article.<sup>1</sup>

**1. Has China made some basic strategic mistakes in its reform? The answer is negative. Although it has made many mistakes, its basic strategy has been successful.**

Despite the fact that our socialist reform started from the desire to improve the original system, at least a number of people quickly realized that this reform is essentially aimed at progressively remolding and transforming the traditional system in a revolutionary way. Attaining revolutionary goals through non-revolutionary means not only shows the reform's greatness, but also reflects deep contradictions within the reform itself. Judging from history, we can see that reforms were generally carried out through two basic patterns: 1) A number of people's spontaneous activities of seeking individual

interests led to a natural readjustment of the structure of rights; 2) Through compulsory means such as laws and government decrees, old rules were revised and new rules were promulgated.<sup>2</sup> The applicable range and cost of the two patterns vary considerably from system to system. As a socialist country with mandatory plans in every field, upholding the basic principle of restricting spontaneous activities, using the first pattern to promote reform in such a country will be incompatible with the foundation of the country's system, and will also lead to sharp conflicts and chaos following each step taken forward. Due to the serious lack of information under this restrictive system, and also due to the existence of serious incompatible interests and views in regard to even a limited number of goals, relying on the second pattern alone to carry out reform in such a socialist country will often mean hesitating to move forward.<sup>3</sup>

China's strategy for reform consists of three points, namely, ensuring the leading role of decontrol, adroitly guiding action according to circumstances, and groping one's way along. This strategy is in fact a special combination of the two patterns: Some policymakers have consciously permitted or have tacitly consented to partial and local "offenses against rules" or "impermissible behaviors," to pave the way for controlled institutional changes; after changes brought about by reform have lowered the cost of information and led to the formation of a new balance of interests, the second pattern has then been used to affirm and promote such behaviors. The practice of contracting output quotas to households in China's rural areas was a completely illegal practice at first. It then became a legal practice in some areas. Finally, the practice was extensively promoted. This process is a most typical example. We can imagine that if those partial and local offenses against rules as well as impermissible behaviors were not encouraged to a certain extent at first, and if we had to wait for a mode of contracting output quotas to households designed by economists as well as an unanimous adoption of the mode by politicians, we could still be living to this day under the system of three-level ownership by the people's commune, the production brigade, and the production team, and we could still be suffering from the vicious circle of poverty. During our urban reform, there have been experiments in establishing various special economic zones and special business zones, and there has also been propaganda and hints which encouraged breaking with convention and not adhering to authoritative documents. In particular, during the political reform, there has been small but steady progress made in promoting the system of overall leadership by the factory director, separating the functions of the government from those of the enterprise, and changing the leading nucleus role of the basic level party organizations into the guarantor and supervisory role. All these things show that the reform strategy has been successful within the special Chinese political structure. Against such a background, there is nothing strange about the following facts: The people's intuitions have displayed real knowledge and deep insight after many years in confinement;

spontaneous activities have divulged much more information than the impotent theoretical studies could provide; and some people have even shown adoration for the wonderful effects produced by the practice of promoting reform and breaking political deadlocks through permitting partial and local offenses against rules.<sup>4</sup> In fact, while the correct strategy has greatly quickened the pace of successfully promoting reform, it has also gradually run considerably great risks. This is because the reform conducted through "specially permitting" and "tacitly consenting" to impermissible behaviors has unavoidably caused disorder and a fall in the efficiency of the administrative system. As China does not rely on the rule of law but longs for an enlightened government brought about by virtuous rulers or administrators, the efficiency of the country's administrative system has always been seriously disrupted by multiple norms and standards. The reform conducted through "specially permitting" and "tacitly consenting" to impermissible behaviors has extended the multiple norms and standards to the field of basic rules, thus further obscuring the distinction between legality and illegality in many important spheres. When the accumulation of these phenomena reached a certain extent, most people suddenly and simultaneously discovered that the legality of the commodity economy was achieved practically at the cost of the shaking of the legality of all authorities.

If we deviate from the objectivity of the starting mode of reform as well as the irreversibility of the process of reform itself, and if we deviate from the major historical background of the reform conducted under the special restrictive conditions in the fields of politics, economy, and information, our reflection on the reform strategy will readily lead to some superficial conclusions. For example, a common criticism of the reform strategy is that the reform lacks planning. In principle, this view surely cannot be described as incorrect. In light of the fact that many people are still obstinate in capturing the spontaneity of the reform, this idea is straight to the point. However, the result of applying the view to the practice of reform has been hard for people to understand. Let us leave aside for the moment the point of whether it was wise to formulate in the early days of the reform an overall plan to regulate the people's actions. After 10 years of reform, what happened to that overall plan for guiding practice with the theme of passing the test of price reform?<sup>5</sup> According to some economists' demonstration, it is imperative for China to race against time in passing the test of price reform, a dangerous barrier before the end of the "golden age" of reform. It looks as if this is not done, the country will feel eternal regret. With the impressive headline "There Will Be a Vast Stretch of Flat Land After Passing the Dangerous Barrier," some people advised the people not to overestimate the dangers of price reform. However, who could have thought that only a few months after this advice, people throughout the country actually exercised their veto power through "casting currency votes" [huo bi tou piao 6303 1578 2121 4384]. It is clear that if we are only given the choice between the planning based on the



so-called "scientific demonstration" and the cautious practice of groping one's way along, our reform will just waver between the two poles, namely, having chaos as a result of decontrol, and having stagnation as a result of control.

The real problem of our reform here does not lie in the lack of plans or ideas (since last year, relevant departments and units have formulated several overall plans, with each having its own characteristics. Some plans are even diametrically opposed to each other.) In fact, the real problem of our reform here lies in the lack of a mechanism for appraising and screening plans, the lack of a real theory that can guide the implementation of various concrete plans (only a thorough theory can grasp the masses), as well as the lack of a scientific policy-making procedure within the political structure. It is evident that these issues simply cannot be resolved through the reform strategy.

Of course, there is no need for reticence about the fact that our strategic guidance for reform as well as the formulation and implementation of policies has encountered many mistakes over the past 10 years and particularly within the past 3 or 4 years. In addition to the three mistakes mentioned in the last "review" part of this article, there have also been numerous large and small oversights, omissions, and faults. After analyzing each of these mistakes, we can see that none of them was absolutely unavoidable. People really deplore or feel very sorry about some of those mistakes. To deepen reform for the next stage, it is absolutely necessary for us to conscientiously sum up such experiences and lessons, and to point out with complete openness, all the mistakes that have been made or are being made. If a system is designed on the assumption that its leaders must be geniuses or saints, relatively few of the faults within this system will really be attributed to personal shortcomings. Therefore, after hurrying through a review, if people simply attribute today's difficult position of reform to policy faults as well as to the economic operators' oversights and negligence toward their supervisory duties, this kind of reflection on reform will mean a celebration for onlookers and a funeral for those engaged in promoting reform, thus drawing the last conclusion people would like. Perhaps the Chinese people have been without self-confidence for too long. Actually, if we say that oversights and faults are unavoidable phenomena during every big social change, that the basic strategy for China's reform is correct, and it becomes harder and harder to continue the battle of reform, why do we not ask ourselves a completely different question: If every fault in our reform is really avoidable, then when numerous mistakes in reform are added up, and the intricate balance of partial and local interests is so tilted that any cracks or errors in the macro policy decisions will possibly be amplified into an irretrievable deterioration of the overall situation, will it still be possible to avert such a deterioration of the overall situation? We shall answer this question later.

**2. Is it true that China's special historical background and its cultural structure mean that the Chinese nation is predestined to suffer for endeavoring to carry out reform? On the whole the answer is negative. China's cultural background has shown a multidirectional influence on reform, and brought forth many distinct characteristics of reform in the country. However, it is very difficult to pinpoint a direction as a decisive factor.**

China's economic reform is truly a special product of specified historical conditions. When many other socialist countries began to engage in their first widespread upsurge in reform during the 1960s, China moved farther and farther toward the opposite direction without the least hesitation (the move was accountable of course). In striking contrast to other socialist countries' upsurge in reform, the "Great Cultural Revolution" in China took the traditional system to extremes in the fields of politics, economy, and ideology, and exacerbated the gravity of issues concerning peasants. As a result of such extremes, the grade-I rocket for setting off China's economic reform was brought into being. Now we can see that if at that time there was no need to conduct a political criticism of the Cultural Revolution and the "Two Whatevers," it would be very hard for us to create a relaxed political environment following the discussion on practice being the criterion of truth. Now we can also see that without the assault on the traditional system of taking on everything as launched through the promotion of the rural system of contracting output quotas to households and the creation of a thriving rural economy, it would be very difficult for us to introduce so many market mechanisms which have caused such a powerful shock to the traditional economic, social, and cultural systems and structures.

As the reform itself is a special product of specified historical conditions, reviewing past history will provide some enlightenment. Due to the heavy burdens of feudalism as well as the stubbornness of traditional forces, every Chinese reform in modern times began with an earthshaking display of incisiveness, then failed to lay solid foundations, and ended with a low ebb, showing its frailty and shallowness. People may have noticed that China has introduced, over the past few years, almost all the ways and means used by Western countries to develop a commodity economy. However, most of such ways and means have been used in China in a strained way with little institutional foundation. The process of developing our traditional rural economy into an early stage commodity economy has inevitably brought about the spread of contributing factors to swindling, bribery, and degeneration, and there has also been a weakening of control over the state sector of the economy in urban areas. With the special integration of such contributing factors and the weakening of control, it is very difficult for us to really establish a modern commodity economy, and we can at the most go through the process of an early stage development of a commodity economy in a seriously strained form. This is of course not what the people want to see nor is it something that the existing political structure can bear for a long time.

Judging from Chinese culture, we can see that diligence is a Chinese virtue which has been passed on from generation to generation, that the Chinese value martial qualities as well as the inherent nature of following rules, and that the Chinese are good at tapping the last potentials of an existing social system. However, Chinese culture also shows that despite the frequent use of extreme means to make dynamic changes and that despite hurried changes made in institutional forms, it seems that the Chinese are really not good at establishing systems with new contents that are contrary to tradition. For this reason, Lu Xun once expressed deep regret over the fact that Chinese culture tends to make great concessions for the purpose of accommodating old things and that it also tends to carp about in every possible way all new reforms. Consequently, after making a lateral comparison between cultures and after reflecting upon cultural issues, the Chinese are always surprised and sorry to see that very little tradition has been preserved, and they also have to endure the pain resulting from the fact that they have inherited too many contents of traditional heritage. Of course, this kind of cultural atmosphere will not help promote reform in a subtle and imperceptible way.

As far as economic structural reform is concerned, some cultural traditions can really be advantageous or detrimental to a country's move toward establishing a modern commodity economy, and can also increase or reduce the cost of achieving such a goal. For example, as modern commodity economy means credit economy, its operation is based on the establishment of contracts and credit. If the practice of making promises easily but seldom keeping them, the practice of reneging on contracts, and fraudulent practices are common, the cost of market economic operations will be very high, and such operations may even be simply uneconomical. In view of the cultural background of traditional Chinese society, we can see that without investment to shoulder the cost of establishing systems at the preliminary stage, it will surely be very difficult to truly establish a new system or a new order.

However, this does not mean, in the slightest degree, that we favor national or cultural nihilism in any sense. In fact, cultural determinism cannot explain why some countries with identical backgrounds successfully completed the process of transforming traditional economy into a modern one, and even managed to bring out the best in each other. In addition, cultural determinism cannot explain why socialist countries with completely different cultural traditions and at different stages of economic development have faced identical challenges and problems. China's problems are essentially problems related to its system and are not cultural. This point is most clear now. Historical changes in many countries have proved that under a certain system, a country's cultural heritage would seem to be a cultural burden, and that under another system, a country's cultural heritage could be turned into a rare national treasure. In any case, our forefathers cannot be held responsible for our current backwardness. Reforming China's current system (including some cultural sectors) is the modern Chinese people's historical responsibility and cannot be shirked.

**3. Is it true that that all socialist reforms have generally reached a dead end? We can give this definite answer: Reforms that have been conducted within the mode of the original theory of knowledge have reached a dead end.**

If we view the tide of reform in socialist countries as a whole, the fortuity and individuality of numerous faults in China's economic reform, a tributary of the tide, will vanish to a great extent. For example, although socialist countries have adopted at different times various financial and banking policies, dominant inflation has become their common failing (according to statistics for the first half of this year, the annual rate of inflation in Yugoslavia reached 190 percent, in Poland 49.4 percent, and in Hungary ranged from 18 to 20 percent. Even in the Soviet Union, a country which is thought to have not yet really begun its economic reform, the price hikes of some major consumer goods over the past 2 years have reached double digits.) There is another example regarding a common feature of the development in socialist countries: Despite the fact that they differ greatly in national conditions, each of them went through, during the initial stage of reform, a period characterized by relatively fast economic development, relatively high returns, and a distinct improvement in the people's living standards. Next, due to various seemingly fortuitous causes at home and abroad, each of them entered a difficult stage characterized by a slowdown in economic expansion, being short of financial resources and foreign exchange, and a distinct reduction in options for making changes in reform. Although China's current economic growth is the most enviable one among all socialist countries, the price paid for achieving this growth has caused more and more doubts, misgivings, and criticisms. In addition, there is a common feature of the income policy in socialist countries: Each of them began its reform with the introduction of a mechanism aimed at creating incentives for enterprises as well as for enterprise staff members and workers, and then fell into a predicament characterized by unequal distribution and income expansion. What is particularly worth mentioning here is Hungary. As Hungary is a small East European country with highly centralized enterprise operations, the transparency of its system for regulating and controlling the economy should be described as relatively high. As early as 1976 Hungary had begun to set up different wage systems for competitive, semicompetitive, and noncompetitive enterprises. It also implemented, at different stages, various ingeniously designed mechanisms for regulating tax revenues, subsidies, and material benefits. However, it has not only failed to resolve issues concerning an equal distribution of incomes as well as incentives, but has actually been bogged down in the vicious circle of policies and countermeasures.

All socialist countries that deviated from highly centralized mandatory plans have fallen into a predicament characterized by great difficulty in making every move. This fact shows the existence of a great disparity between the old system to be restructured and the system of rights as demanded by a new market mechanism in each of

these socialist countries. Therefore, no matter what strategy (such as the strategy for conducting reform in a package deal and the strategy for carrying out reform step by step) is adopted to carry out reform, a fierce clash between two types of rules will inevitably exist for a long time during the process of reform. The history of reform in socialist countries shows that with the coexistence of the two systems, there are generally two interim forms that supplement and complement each other. First is the integration of plan and market. It means that every field and every type of product undergoes a separate planned regulation and market regulation. This interim form can be likened to the division of a crisscross railway network into the narrow gauge and broad gauge sections, thus avoiding a clash between the two types of gauges in each section. However, this division has created great difficulties in the operation of the whole system. Second, the double track integration. It means that dual rules are implemented in the same field and for the same product so that plans are inclined toward the market. As compared with the first interim form, the second interim form has a less stagnating nature. However, as the cost of maintaining order (namely, the implementation of dual rules) within the second interim form is relatively high, there is a relatively great possibility of conflicts within this form<sup>6</sup>. In fact, the second interim form exists in varying degrees in all those countries engaged in reform. For example, in view of the shortage of production materials, China has extensively developed the market and semimarket [ban shi chang 0584 1579 1034] for such materials not assigned by state plans; due to the shortage of labor resources, Hungary has introduced market rules regarding the supply and demand of labor resources (each of the great majority of staff members and workers in the employment of Hungarian state organs has a second job), and due to the existence of a special export oriented economy in Yugoslavia, an unofficial foreign exchange market has emerged in the country quite early. Behind these superficial occurrences, we can see that the economic and rational requirement for an effective distribution of scarce resources has forcefully opened up new routes that are essentially aimed at getting permission or tacit permission to set up a double standard and to introduce market mechanism in those fields that generate the greatest marginal returns. What is called the organic integration of plan and market, namely the whole society being covered by plan and market simultaneously, can only be a target mode that is established on the basis of a new system. Therefore, the attempt to "break through" the coexistence of the two systems through a technical package cannot establish any really new system. Such an attempt can only mean that prior to "thoroughly remodeling" the original system and structure, various pressures on completing the transition period in a rush will inevitably lead to the restoration of the traditional system.<sup>7</sup> In today's world, the economic and social conditions in those socialist countries without reforms or with very few reforms are relatively stable while all those socialist countries engaged in real reforms are caught in a dilemma. This shows that the mode of the traditional socialist system is a balanced body with

internal coordination. This mode was established on the basis of a command, planned economy carried out through coercion and obedience. Due to the hierarchy and mysterious political structure within this mode, and also due to its demand that hundreds of millions of people have only "one unified thinking" Lin Biao's words, great efforts were made to seal off and eliminate all "heretical and unorthodox" ideologies, thus constituting a relatively stable and balanced structure. If this structure is lashed and disrupted in any direction by a capable force, there will inevitably be chaos within the existing order, unstable conditions, as well as a series of chain reactions. The repeated reform pattern of wavering between the two poles, namely, having stagnation as a result of control and chaos as a result of decontrol, and the fact that the various socialist countries engaged in reform for dozens of years have been carrying out reforms on and off and have even stepped back a few paces, fully show that socialist reforms conducted within the mode of the original theory of knowledge have reached a dead end. To put it more precisely, these things show that such reforms have entered a vicious circle without a way out for reform. The good fortune of the Chinese economic structural reform lies in the fact that China can now draw a due conclusion on the wider background, and that the Chinese can now avoid endless quibbling over individual tactical faults and also avoid making the same attempts that have proved futile in other countries' experiences.

We have come to the conclusion that although many unavoidable mistakes and some avoidable mistakes were made in China's reform over the past 10 years, the country's basic strategy has been successful. The major sign of this successful strategy is that it has greatly shortened the generally unavoidable period of groping one's way along and hesitating about what move to make during the early stage of reform, thus enabling China to reach the most forward position of reform ever reached by any socialist country. Although China's historical background and the country's culture have deeply influenced its reform, they are not the only inert forces that obstruct the advance of the reform nor are they the only decisive factors that influence China's further development. Therefore, to enable China's reform to be really lifted out of the dilemma for the purpose of achieving substantial progress and success, we must get rid of all prejudices and signs of timidity as well as the idea of leaving things to chance and illusion and reexamine the changes and changing aspects of the world as well as the starting point and foothold of China's reform. What is worth celebrating is that following workers' autonomy in Yugoslavia, supporting measures for reform in Hungary, martial law and dialogue in Poland, reform and opening up in China, and the new efforts made by the Soviet Union to promote its political reform, there has been a sufficient number of attempts to promote the socialist movement and ample self-criticism within the movement. In the face of the immeasurably magnificent goal revealed by Karl Marx, the socialist movement has



retreated again and again, and now there are no more places to retreat to. Life itself is shouting at the people:

"Here is Rhodes, leap here!

"Here is the rose, here dance!"<sup>8</sup>

## II. Achieving a Fresh Understanding of Socialism<sup>9</sup>

### 1. An Unfinished Process—Socialism: Utopian and Scientific

In his article "On Opposing Duhring" written more than 100 years ago, Friedrich Engels pungently depicted those philosophers in the early days of capitalism being mocked by history: "The French Revolution had realized this rational society and government. But the new order of things, rational enough as compared with earlier conditions, turned out to be by no means absolutely rational. The state based upon reason completely collapsed.... The promised eternal peace was turned into an endless war of conquest.... The antagonism between rich and poor, instead of dissolving into general prosperity, had become intensified.... Poverty and misery of the working masses were turned into conditions of existence in society.... Trade became to a greater and greater extent cheating.... Oppression by force was replaced by corruption; the sword, as the first social lever, by gold.... In a word, compared with the splendid promises of the philosophers, the social and political institutions born of the 'triumph of reason' were bitterly disappointing caricatures."<sup>10</sup>

Today, more than 100 years after Engel's remarks, when believers in socialism contrast the socialist practice carried out for more than half a century with the tentative plan formulated by the great forerunners, they will unavoidably feel that history has made another joke of the pursuers of an ideal world.

When proletarian political parties seized power, they acted in accordance with the teachers' theory and "first turned the means of production into state property."<sup>11</sup> However, things did not turn out the way the teachers predicted: "All differences and antagonism between classes will be eliminated, and all states will cease to exist as states."<sup>12</sup> On the contrary, state power has been frequently used as a tool for suppressing opposition forces; state interference in social relations not only have not "become unnecessary things, thus voluntarily ceasing to exist in various fields"<sup>13</sup> but have actually gone deep into every field of social life as a result of extensive nationalization. Due to this state of affairs, the administrative management that monopolizes property and the process of production have unavoidably extended into a control of personal life in various fields, and the workers' freedom of choice has been greatly curtailed under the pretext of subordinating personal interests to the state or collective interests. Although socialism has tried its very best to eliminate the exchange of commodities through money, it has failed to "eliminate the obvious waste and

disruption of productive forces and products."<sup>14</sup> Socialism has actually produced a special mixture of shortage and waste as well as the coexistence of unemployment and idle capital. In particular, the enforced agricultural collectivization has led to long-term food crises and even brought about catastrophes in more than one socialist country. In addition, not all workers and peasants can take part in the management of state affairs. The fact is that selfish bureaucratic departmentalism has infiltrated into every part of social life. Despite these things, socialism has scored great historical achievements in backward countries. However, it is obvious that there is an alarming disparity between the result of socialist practice and the original theoretical vision.

If we say that setbacks in the promotion of socialism can more or less be attributed to the faults made by later generations, we certainly cannot attribute the modern western economic development to the slyness of capitalists. Over the past century and more, there has been no sounding of the "death knell" of capitalism as Karl Marx predicted nor has there been a "demolition" of the shell of the capitalist society as a result of the concentration of means of production and socialization of labor. In fact, following the great economic crisis of the 1930s and the reactionary rule of fascism, Western society entered a relatively mature stage. On the one hand, through the state management of general demand, Western society has greatly abated the destructive damage of the periodic crisis of overproduction. On the other hand, with the promotion of social security for ordinary workers as well as the advancement of their political rights, Western society has managed to reduce its internal class antagonism. With these achievements checking to a certain extent, the negative consequences of the market, the market economy in Western society has shown unexpectedly great potential. On the basis of this development, some developed countries have become so-called welfare states. Of course, this development has not eliminated the deep contradictions within capitalist society. In addition, to a great extent, modern capitalism has developed at the cost of sacrificing the interests of backward nations as well as the future interests of the whole world. However, the potential of modern Western society for development and certain characteristics of an advanced human society that it shows cannot be denied.

The great disparity between the prophecies made by pioneers of socialism and actual living conditions have forced people to reach this conclusion: Although the socialist goals of enabling the workers to achieve self-realization and social justice have always been the ideals pursued by the people for generations, the development of socialism from ideals to a scientific pursuit is far from over.

It now seems that the reason why the founders of Marxism were puzzled, to a certain extent, by ideals, was that their historical background was somewhat similar to the historical background of idealistic socialists: When capitalist production was not quite flourishing, "they

had to work out the outline of a new society as this kind of outline was not clearly displayed in the old society; ...they could not seek help from contemporary history." <sup>15</sup> Thus, "The immature theory was compatible with immature capitalist production conditions as well as immature class conditions." <sup>16</sup> The wisdom of Karl Marx and Friedrich Engels lies in the fact that they never regarded their theory as an unchangeable dogma. They actually noted: With the 72-day experience in the Paris Commune, some parts of the programmatic document "Manifesto of the Communist Party" are out of date. It is quite clear that as socialist practice in the world has lasted for nearly 72 years and as Marxist theory came into being more than 100 years ago, if we continue to uphold some tenets that are completely divorced from life, we surely can no longer attribute our mistakes to the founders of Marxism.

## **2. Socialist political economics—the confusion it has created and its errors.**

Modern socialist theory resulted from Marx's application of the historical materials approach to observing contradictions within capitalist society. According to Marx, despite the fact that capitalism broke with the feudal system of ownership through the use of the massive productive forces it created, thus making a great advance in the history of mankind, capitalist society is not a kingdom that will last 1,000 years in the history of mankind nor is it a society that is antagonistic to traditional society. Marx noted: The establishment of the dominant position of capitalist private ownership was essentially based on large-scale mechanized industry. This capitalist private ownership system discriminates against the workers' ownership of means of production (this production pattern exists on the premise that the land and other means of production are scattered.). However, "the use of machines will inevitably lead to a still wider use of machines, and large-scale production will surely lead to production on a still larger scale." <sup>17</sup> "When the concentration of the means of production and the socialization of labor become incompatible with their capitalist shell, this shell will explode." <sup>18</sup> After seizing political power, the proletariat will take over all means of production in the name of society, and "all production departments will be run by the society. In other words, to safeguard public interest, they will be run by all the members of society in accordance with an overall plan." <sup>19</sup> Therefore, the evolution from capitalism to socialism is not due to any justifiable indignation or moral condemnation. It is a natural historical process independent of man's will. According to Marx, this process can be defined through the precise approach of natural science. Private ownership is the inevitable outcome of past production tools. In the past, private ownership was completely compatible with labor. "It was during the large-scale industrial production process that the contradiction between production tools and private ownership was shown for the first time. This kind of contradiction emerges only in highly developed, big industries. Therefore, private ownership can only be

eliminated through the existence of big industries." <sup>20</sup> Obviously, the well-organized demonstration of the contradiction between socialized production and capitalist private ownership as made by Marx exposed the most basic social conflict at that time. Why is it then that this conflict has not led to the explosion of the shell of capitalism as predicted by Marx? And why is it that Marx's socialist mode characterized by direct planned economy has generally suffered setbacks in practice? We are going to discuss these questions in the following part.

1) The diversified development of socialized production and the loss of the logical prerequisite for the system of ownership by the people.

Strictly speaking, socialization of production embodies two component parts or phenomena. First, the nature of the means of production, and above all the nature of production tools, decide the collective use of the means of production as well as joint labor. Second, with expansion of the division of labor and the exchange of products, the interdependent relations between production units are increasingly strengthened, thus enabling society to own the sum total of productive forces. Socialization of production may develop into a combination of various trends of the two situations. After seeing that the development of productive forces at a certain stage showed a greater inclination toward the first phenomenon mentioned above, the founders of Marxism made this inference: An increasingly centralized production, caused by the emergence of machines and other inventions, will become a trend and "social necessity;" economically speaking, "large-scale farming" will be greatly superior to small-scale and scattered operations; and "national operations" will give a greater impetus to the expansion of production. <sup>21</sup> They also envisaged that with the expansion of large-scale industries, joint labor would simply be popularized throughout society, thus becoming direct social labor that is completely contrary to the prerequisite for commodity production; and there would be demands on socialization of the means of production as "public and direct social ownership of productive forces has developed to such an extent that such forces can only be managed by the society." <sup>22</sup> In fact, this kind of prospect can only be one of various possible combinations and has not yet emerged.

It is true that during the First Industrial Revolution with steam engines as its power, large-scale industries did show an acceleration of the expansion of joint production in the field of handwork. Therefore, Engels once predicted that further centralized socialization of production would turn the whole industrial sector into a one and only trust under unified leadership. <sup>23</sup> Next, there was another industrial revolution symbolized by electric power. Compared with the First Industrial Revolution, this revolution was of similar significance but was conducted with less noise and excitement. Although it brought about a large-scale development of industrial centralization, its momentum was mild. As electric power is transmittable, even mass production can be



carried out in a noncentralized way. In particular, following the industrial revolution, the present information revolution has begun to, and will continue to, bring about revolutionary changes in labor and ownership patterns. The development of modern productive forces has begun to show various trends including large-scale operations technology, centralized operations technology, and decentralized operations technology. Compared with any time in the past, it is clear that today is all the more unsuitable for predetermining an unchangeable mode of socialized production.

The current situation is this: The use of the means of production has been socialized; the means of production are jointly used by either large or small groups of people; there is no "national centralization of the means of production";<sup>24</sup> and the means of production are scattered among different organized groups of people. In addition, products are socialized. Some workers are not engaged in producing products. "None of them [workers] can say: 'This is what I made and this is my product.'"<sup>25</sup> However, products are still products made by some workers and are not made by the whole society. Moreover, the socialized process of production is shown through a series of partial joint activities as well as social activities. It is also shown through a continuous integration of product exchange networks and economic life. Such exchange relations have been increasingly going beyond national bounds, despite the fact that the rapid growth of productive forces is still based on the use of the means of production by individual groups as well as the combined labor done by some groups.

With the prerequisites being changed, when the socialist theoretical mode of Marx is put into practice, there will not be just one but many economic integrations or communities of workers. In every integration, namely economic unit, "they use the public means of production to carry out work and conscientiously use many individual labor forces as the whole labor force in a society."<sup>26</sup> We know now that their "society" just means a unit of modern economy. Such production units are differentiated in accordance with their different use of the means of production. However, to meet their needs for exchanging products, they are also integrated with one another as an interdependent body. This point alone shows the great difference between the actual socialist economic operation and the original socialist theoretical economic mode.

According to the founders of Marxism, once all means of production are owned by the society, every individual's work, whatever the special uses may be, will immediately become direct socialized labor. Such being the case, "producers do not exchange their own products with one another."<sup>27</sup> Direct social production and direct distribution will eliminate every exchange of products and will also repel any attempt to transform products into commodities or valuable products. However, when there are more than two economic units, a new situation will emerge. In the history of mankind, "the exchange of

commodities occur when a community reaches the end of the road. Such an exchange begins with such a community making contracts with other communities or their members."<sup>28</sup> "The product that appears in exchange is a commodity. It is, however, a commodity solely because of the relations between two persons or communities."<sup>29</sup> Since our present economic communities, namely enterprises, cannot copy the primitive communes' experience of being cut off from the outside world through the use of the fence of natural economy, they cannot break away from exchange but must depend on exchange for existence. Since "once all the means of production are owned by the society, commodity production will be <sup>30</sup>eliminated," the popularization of commodity exchange based on the use of the means of production by groups and the partial integration of labor forces is not the outcome of underdeveloped productive forces but an inevitable outcome of highly developed modern productive forces.

The diversified development of socialization of production has led to a revolutionary conclusion: A generalized ownership by the people, or state ownership, cannot be the form needed for developing productive forces but is actually the shackles on the development of modern productive forces.<sup>31</sup> As far as the research conducted by Marx is concerned, all systems of ownership (including ownership by the people) are neither starting points nor the prerequisites. According to Marx, ownership is of economic significance only when it is suited to the needs of social production. For example, "Despite the existence of ownership of large areas of land in France in the past, the country's agricultural operations were of small scale only. As a result, ownership of large areas of land was destroyed during the revolution." At the same time, following changes in the economic contents of France, despite the law for land division, "there was another centralized ownership of land."<sup>32</sup> Contrary to what has been generally assumed, that state-run operations resulted from state ownership, Marx said that state-run operations led to state ownership, and that the necessity of having "operations on a national scale" led to the "social necessity" of having nationalization.<sup>33</sup> Engels noted: Only when "the state will ultimately have to undertake the direction of production," can there be "this necessity for conversion into state property." He stressed: "I say 'have to,' for only when the means of production and distribution have actually outgrown the form of management by joint-stock companies, and when, therefore, taking them over by the state has become economically inevitable, only then—even if it is the state today that effects this—is there an economic advance."<sup>34</sup> Therefore, it is definitely not true to say that all types of nationalization are socialist ones. Obviously, when a socialist country conducts nationalization in a field that is not economically necessary, it is definitely not making any economic advance. Thus it can be seen that major historical mistakes have been made by the traditional political economic researchers who have deviated from the prerequisites, namely productive forces and production modes, in the study of socialist

economy; have treated the system of ownership by the people, a system that has, to a large extent, lost its status as an economic prerequisite, as an unchangeable and rigid dogma; and have even upheld the system as a socialist banner.

The errors made by the founders of Marxism in inferring the trend of development of socialization of production were, to a great extent, due to the limitations of historical conditions at that time. The age of Marx and Engels was an age in which the development of large-scale production was accelerated and large modern enterprises began to grow. In their time, due to economic necessity, "postal, telegraphic, and railway services," the special industries with a natural monopolistic character, were the first nationally centralized operations. As a result, they mistakenly regarded such an economic necessity as a sign that "all capital, all agricultural, industrial, and transport sectors, as well as the whole exchange system" would also become nationally centralized operations.<sup>35</sup> Unavoidably, their socialist mode characterized by social ownership, ownership by the whole people, and the nonexistence of commodities and money contains some utopian ideas.

## 2) Improvements made in the classical socialist mode and their limitations.

When socialism became a reality for the first time in the Soviet Union, people made great efforts to carry out the blueprint for turning society into a big factory, and paid a high price in this regard. However, Lenin quickly discovered that the immediate abolition of the relations between commodities and money was disastrous. Therefore, Lenin made this announcement: It is true that money is the tool for exploitation and that money is not needed in a perfect socialist society. However, during the transition period for achieving socialism, the existence of money is unavoidable.<sup>36</sup> After this, despite the fact that the role played by money in the traditional socialist mode has been seriously restricted and that there have been tedious and trivial debates about whether money within the socialist system should be regarded as labor notes in disguised form, the shells of commodity and money have undoubtedly been retained. However, theoretically speaking, the issue concerning the status of the relations between commodities and money within a socialist economy has not yet been resolved. In addition, the point of whether such commodity-money relations are compatible with the economy under the ownership by the people has never been raised.

In terms of economic theory, the vision of the founders of Marxism that the society can be organized into a big factory actually implies the assumption that with technological progress and the application of machines to promoting large-scale production, the idea about the big factory can be realized, and that the total cost of running society as a unit through planned coordination and management will be lower than the cost of information

and exchange through market coordination.<sup>37</sup> Therefore, there is nothing strange about the fact that from the very beginning, the criticism and countercriticism of this theoretical mode focused on its policy-making structure and its cost of information. For example, during the great debate about the rationality of socialist economy in the thirties, Oscar Lange put forward the famous market directed socialist mode. According to him, the central planning bureau can use the prices of artificially simulated account to replace the functions of the market price system, and can also achieve the coincidence of planned prices with equilibrium prices through the microreadjustment conducted by a process of "trial and error" in an environment with a certain similarity to a competitive market.<sup>38</sup> During the reforms conducted by East European countries since the sixties, Bruce and Oto Sik have gone a step further, pointing out the necessity of directly introducing the market mechanism into socialist economy. They have also discussed the possibility of adopting various economic modes such as the mode characterized by decentralization of power under the socialist system, with the purpose of reducing the cost of running socialist economic operations.<sup>39</sup> In terms of theory, the development from simulating market functions to directly introducing market mechanism should be described as a great advance. In particular, the social development of today has generally surpassed man's basic level of subsistence, thus clearly increasing the elasticity of demand (the demand itself has become the compound function of price), and greatly increasing the practicability of improving various socialist modes. Since the seventies, Bruce's practice of appraising the real content of the public ownership system in socialist countries on the basis of the foundations of the relevant countries' democratic systems, and Kornai's practice of using the concept of soft budgetary restraint to interpret the general shortcomings of socialist economic operations have contributed to the important in-depth advances made by what is called the East European school of reform thought in its study of issues concerning economic policies and operations.

The above ideas put forward by the East European school were once important theoretical nourishment for China's economists during the initial stage of reform. However, it must be pointed out that the criticism of classical socialist modes from the policymaking and operational angles still shows great limitations. As this kind of analysis regards ownership by the people as a fixed prerequisite as well as a theoretical frame, it basically lacks the concept of property rights. However, the exchange of commodities, and particularly the modern form of commodity exchange, are essentially the exchanges of property rights. Defining property rights in unequivocal terms is the basic prerequisite for reducing the operational cost of a commodity economy. The complete lack of property rights within ownership by the people has led to a basic contradiction: An economy without any property rights or with property rights that are not clearly defined, cannot guarantee the rationality of decentralized policymaking processes. The question

of whether a factory director represents the state or the enterprise reveals the absurdity: With the factory director representing the state, there can be no decentralized policymaking process; having the factory director represent the enterprise (staff members and workers) will mean contradicting ownership by the people. What is particularly obvious here is the unsolvable question about the distribution of economic surplus. If people act in accordance with the Marxist mode, namely that society or the state conducts a unified "deduction" of social products and spends the deducted amount in a unified way on expanded reproduction and social welfare, the market mechanism will basically cease to be effective (this coincides with the idea and principle of Marx). However, if people revise Marx's principle, introduce market mechanism, turn the unified state distribution system into a system in which enterprises conduct distribution by themselves, and create a situation in which there is no restraint of property rights, they will inevitably be faced with an expansion of consumption, a common practice of outdoing others in ostentation and extravagance, as well as grumbles and disorder. In fact, the crises of economic reforms in socialist countries have generally originated from the contributing factors mentioned above.

Property rights are used as the norm for determining profit relations between people and particularly for determining the people's basic right to the distribution of economic surplus. The major function of property rights is to provide a motive power system for economic operations. For a relatively long period of time, although members of the East European school of reform thought have attached importance to improving ways to dispose resources, namely transforming a planned economy into a market economy, they have neglected property rights, a social incentive system that actually determines effective ways to dispose resources. This has to a great extent directly connected with their failure to clearly understand the fact that the major incentive mechanism within the classical socialist mode, namely the general principle of "to each according to his work," has ceased to be effective in practice, and that the prerequisite for ownership by the people has also lost effectiveness at the same time.

The loss of effectiveness of the general social distribution principle of "to each according to his work" in practice was not due to any of its moral defects but was due to its loss of contact with modern economic reality, thus becoming a utopian principle. Marx's theory of "to each according to his work" was based on the premise that labor can be defined in accordance with the natural yardstick, namely labor time or labor intensity.<sup>40</sup> In addition, according to Marx, the diversity of this kind of intensity [of labor] does not refer to any qualitative diversity but refers to quantitative diversity, namely the diversity of time spent on the same type of labor.<sup>41</sup> This means that technological progress and the machines in use must be able to provide the same yardstick for determining the intensity of different types of labor. Of

course, this kind of condition has not yet emerged. In particular, the value of creative labor which has increasingly become an important source of wealth in modern society certainly cannot be measured by tools. The fact is that only the special qualities of machine systems in a few factories or workshops can determine the diversity of the same type of labor as well as the diversity of the different types of labor, and that this kind of diversity can only be demonstrated through the fruits or products of labor in a society. In addition, the material form of a fruit of labor not only contains the elements of active labor but also contains the elements of past labor, namely capital. Moreover, due to the continuous changes in the organic composition of capital as caused by the combination of financial resources and equipment, two factors of nonequivalent qualities, as well as technological progress, even if we can give a precise definition of one man's labor contributions on the basis of his products, the cost of his labor will still be unimaginable.<sup>42</sup> In fact, Marx never cherished the illusion that the material forms of the products of labor can be differentiated and measured without going through the process of exchange. Marx said: "Can your work done in an hour be worth the hour's work I have done? This question has to be resolved through competition."<sup>43</sup> This is because in a commodity economy, the earnings of various elements of production can only be differentiated through the economic units' external comparison, competition, operations, as well as the mechanism of choice (on the premise of having clearly defined property right). This kind of differential appraisal of labor contributions is not proportional to the natural yardstick for measuring labor input. In other words, Marx's idea about distribution according to work can only be put into practice after the elimination of the relations between commodity and money; distribution according to work simply cannot coexist with commodity exchange.<sup>44</sup> In this sense, as far as the modern form of productive forces is concerned, the necessity of defining property rights is not so much the requirement of a rational disposition of resources, as the requirement of an effective social incentive mechanism for the distribution of interests. In socialist countries, common phenomena such as being overstaffed, being irresponsible, and being inefficient, as well as the common practices of boasting, licking other people's boots, currying favors with people in authority for personal material gains and official positions, and suppressing the promotion of qualified personnel (there is this common admonition: "When I say that you are capable, you are capable even if you are not capable; when I say that you are not capable, you are not capable even if you are actually capable") reflect the paralysis of the system of economic motive power following the loss of effectiveness of the principle of "to each according to his work" as a general social incentive measure. (However, within enterprises, this incentive measure is still effective on many occasions.) The emergence of serious inequality of opportunity and income during the process of opening up and reinvigoration has further revealed the fact that the lack of a social mechanism for appraising human resources



has inevitably caused a chaotic economic incentive system. Therefore, in conducting what is called reform of the system of ownership, one basic task is to reestablish the social motive power system.

It is clear that the current deep contradiction within socialist reform movements lies in the actual attempt to form a social frame comprising the relations between commodities and money, general ownership by the people, and the general principle of "to each according to his work." According to Marx, in terms of logic, the relations between commodity and money are absolutely incompatible with general ownership by the people and the general principle of "to each according to his work." The attempt has therefore led to a series of very severe frictions and conflicts. We shall analyze this point further in the following parts of this article.

### **3. Re-Establishing the system of ownership by individual workers on the basis of the common ownership of the means of production.<sup>45</sup>**

During the process of the proletarian seizure of political power, "communists can use the phrase 'eliminating private ownership' to summarize their theory."<sup>46</sup> We can say this: During the process of building socialism, communists can use the phrase "re-establishing the system of ownership by individual workers" to summarize their theory.

To this day ownership of personal property by the workers is still the essential prerequisite for realizing personal freedom in a society. Having personal property as an insurance or a risk fund is the material prerequisite for enabling a worker to maintain personal dignity without having to depend on other people or society for existence. With personal property, a worker can freely opt for getting a job, taking up a new occupation, being unemployed on a voluntary basis, enjoying educational services, leisure. Judging from the social angle, we can see that having clearly defined personal property rights is the cornerstone of the establishment of the standards of general property rights. Such property rights can play the leverage role in bringing about a rational disposition of resources through the market as well as in increasing social material benefits. Due to the unlimited diverse nature of manpower capital, and also due to the difference between personal opportunity costs and social costs, personal choice can never be replaced by collective choice, no matter how perfect the collective choice is. In a certain sense, we can say that in an economy that has completely eliminated personal ownership, there will be no institutional guarantee for the personal freedom enjoyed by workers nor will there be an institutional guarantee for the economic rationality of collective and social choices.<sup>47</sup>

However, traditional socialist economic theory confines the personal property of workers to the field of consumer goods. Now we can see that this is apparently a very serious theoretical oversight. In his famous article "Critique of the Gotha Program," Karl Marx discussed in

detail some of his principled ideas about future society. He not only noticed that the diversity of both the time and intensity of labor will create the diversity of income, but also noticed that the variant numbers of children of various workers will also create a difference between impoverishment and prosperity. But the surprising thing is that Marx ignored the fact that workers in a society are faced with a choice between consumption at the present stage and consumption at a specified future date, namely the question of saving money. It is true that as far as individuals are concerned, saving money is the means of subsistence for the future. However, as far as a society engaged in seeking economic rationality is concerned, saving money can surely be (or can surely be turned into) the real means of production. In this sense, a distinction drawn between the means of subsistence as personal property and the means of production is purely a conceptual distinction and not a real one. In addition, as the people will not voluntarily release their savings during the first stage of communism, the emergence of savings will naturally change, to a great extent, the future society as envisaged by Karl Marx: As the ability to save money varies from person to person, the people's relations with the means of production will not be on an equal basis, thus showing differences.

This immediately poses a question: What is the distinction between the personal ownership of property and the private ownership of the means of production? It should be said that failing to see the distinction between the two is another basic shortcoming of research on political economy.<sup>48</sup> In fact, the basic thinking of the school of trading cost is that the level of property rights should be determined on the basis of a comparison between the cost of such a determination and the trading cost that can be saved following such a determination. Therefore, this does not mean that the lower the determined level the better. The emergence and development of modern business enterprise systems were due to the fact that the cost of determining and protecting property rights was higher than market trading costs. As a result, determining property rights at a higher level for the internalization of external trade became an economic and rational requirement. All modern business enterprise systems were therefore established due to the loss of the intactness of private property rights, namely the monopolistic right of use, the right to free trade, and the exclusive right of profit, as defined by the modern school of property rights. They were established at the cost of having obscure property rights within business enterprises to achieve greater returns from the main body of the economy. Therefore, the achievement scored by the school of trading cost is not repudiating private ownership but explaining from another angle the transient nature of the form of ownership of the means of production (See also R. H. Kurz's Article "On the Nature of Enterprises," carried by the American journal *ECONOMICS*, 1937, Vol 4). Although private ownership is of course personal ownership, it is only personal ownership that is linked with a special form of ownership. In this sense, Marx noted: "As private ownership is opposite to public and collective ownership, it can



only exist in a private area where the means of labor and the external conditions of labor are privately owned." <sup>49</sup> Communists want to eliminate private ownership but do not want to eliminate personal proprietary rights; their aim is "not turning personal property into social property" but is only changing the social nature of the already socialized use of the means of production. <sup>50</sup> According to the development of history, personal ownership of some property first existed in the primitive communes established on the basis of public ownership of the means of production; next, private ownership of the means of production emerged on the basis of the producers' own labor. This private ownership was then pushed out by enterprise owners or capitalists through the private ownership of socialized means of production. Due to this tendency toward the socialization of production, Marx saw the possibility of "reestablishing the workers' personal ownership system on the basis of a joint ownership of all the means of production including land." <sup>51</sup> Therefore, private ownership presupposes a system of ownership in the form of privately owned means of production; our elimination of private ownership is not aimed at eliminating personal ownership but is aimed at eliminating the form of privately owned means of production.

We know that following the socialization of the means of production, the historical negation of the form of privately owned means of production proceeded in two ways. First, private ownership of the means of production was eliminated on either a voluntary basis or on an involuntary basis (in the form of deprivation), and was then replaced by public (including the state and collective) ownership. Second, on the premise of retaining personal proprietary rights, the form of private ownership was discarded through the institutional evolution and creative development of business organizations. "Since the 1850s, the modern corporation system began to gradually develop and particularly in the form of joint-stock companies, thus bringing about a complete separation between the personal ownership of property and the ownership of the social means of production, and enabling socialized corporations and not individuals to actually own the means of production (owing in an economic sense means the right to dispose of that which is in one's possession)." <sup>52</sup> According to Britain's 1984 Company Law, a company only recognizes "its registered shareholders' absolute right to their shares in the company." In addition, the legal interpretation of British Company Law unequivocally states: "A company is not the agent of subscribers to shares nor is it their trustee. Subscribers to shares in a company are not responsible members of the company. With the exception of the scope and form of responsibilities as stipulated by the Company Law, subscribers to shares in a company do not bear other responsibilities in any form for the company's operations." See "British Company Law," written by R. E. G. Peilinsi [0160 2651 2448] and A. Jeffreys, and published by the Shanghai Translation Publishing House in 1984.) The vitality of a company system lies in its unified body comprising various proprietors, thus realizing the socialized formation of capital (the establishment of companies, their organizational structures, their equity financing, their

amalgamations, and their dissolutions are carried out in the social forms that cannot be dominated by individual shareholders nor legally dominated by individuals), the socialized nature of capital (a company law with legal person as its shell turns the means of production into independent and legally protected social wealth, thus preventing the wealth from being infringed upon by individual share subscribers—once a company's shareholders are engaged in subscribing for shares, they forfeit the right to control the company's assets or its means of production), as well as the socialized use and appraisal of capital. In addition, as companies are run by professional managers, variations in the prices of shares and the full liquidity of shares on the market provide an effective socialized mechanism for changing incompetent company managers and eliminating, through competition, those companies with poor operational results. All these things provide a very large space for the composition of various assets, and turn the company system into a most competitive form that suits the needs of a diversified development of the socialization of production. The creative development of company systems has negated private ownership of the means of production: When a company exists, its shareholders or share subscribers are neither the legal owners nor the actual owners of any identifiable means of production in the company; when individuals gain a company's ownership right, either they are no longer shareholders (shares are sold) or the company itself no longer exists (as the company is dissolved). Let us put it without any exaggerations at all: The creative development of company systems is a great qualitative leap in the historical self-negating process of developing the capitalist economic system. <sup>53</sup>

A distinguishing feature of the joint stock company system is that it enables capital to obtain both the means of production and shares in a company (a company's share certificate shows certain ownership of the company's means of production or assets). It is clear that this system provides a material carrier for the establishment of general dual relations between rights—social ownership and private ownership. <sup>54</sup> The system shows that to an extreme extent, private ownership of the means of production has been discarded. However, in the opposite extreme, the system shows that private ownership of shares (or financial assets) is kept intact. The significance of the latter lies in the fact that the system safeguards personal property rights. Just as mentioned above, the system also links up the means of subsistence and the means of production, thus providing an effective social form to promote the workers' personal freedom as well as social welfare. In addition, the system provides some different but more realistic conditions for realizing Marx's idea about the establishment of a personal ownership system for workers on the basis of joint ownership of the means of production. Perhaps we can say that our study of the formation of socialist ownership can draw useful inspiration from the development of modern joint stock companies.

It should be noted that the necessity of establishing a personal ownership system for socialist workers definitely does not mean abolishing all types of public

property rights. On the contrary, we think that retaining certain public property rights (we are referring to the means of production owned by the state, collectives, community and social welfare organizations, as well as public organs. This kind of ownership can be direct ownership or indirect ownership in the form of a joint stock company) can provide for the whole society huge external economic returns. (Such public property rights are particularly important for natural monopoly sectors as well as scientific research fields—where people are often in pursuit of special goals other than ownership of the means of production.) In another sense, public property rights provide the necessary economic and social conditions for a free development of the workers' individual character and human resources. The existence of public property and particularly the property owned by the state, communities, and collectives, can provide more freedom of choice for the workers, and can also ensure both the existence of the most basic living conditions and the capital investment in human resources such as education and training, thus providing general and equal development conditions for the workers. This shows that the establishment of the workers' personal ownership system on the basis of joint ownership of the means of production still requires the coordination of a series of other conditions.

#### 4. The evolution of the system of social rights and the essence of socialism

##### 1) Why is it necessary to discuss and study the system of rights?

Although it is true that allowing the workers to have their personal property is the essential prerequisite for developing the workers' free character, the *de jure* recognition of personal proprietary rights still cannot guarantee the generalization and stability of this kind of rights. In addition, as civil rights are still not fully developed, the existence of unequal proprietary rights tends to restrict the workers' right to achieve their full development. Therefore, the existence of property rights is still not enough to enable the workers to achieve self-actualization. Furthermore, neither proprietary rights (including personal and public ones) nor civil rights have ever been isolated and absolute rights. Since the birth of state power which derived from public interests, state power has been making certain infringements on or imposing certain restrictions on proprietary rights.<sup>55</sup> Obviously, if [state] power is not put under necessary restraint by [proprietary] rights, it will be impossible for the workers to enjoy personal freedom.

It should be noted that the founders of Marxism knew long ago that resolving the issue of property rights itself is not enough for realizing socialism. For example, although they predicted that it would be socially necessary to have nationalization and state-owned economy, they still stressed: "Having state-owned productive forces does not mean resolving conflicts," and nationalization "has not eliminated the capital attribute."<sup>56</sup>

They noted: "What are the characteristics of the countries in the past? At first, society used the simple method of division of labor to establish some special organs for the purpose of protecting the society's common interests. However, later on, these organs, including state power in particular, turned themselves from public servants into the masters of society for the purpose of seeking their own special interests."<sup>57</sup> They added: In the past, "all revolutions were aimed at simply perfecting the state apparatus without casting away this suffocating nightmarish monster."<sup>58</sup> Therefore, they held that due to the experience in the Paris Commune, the one and only major amendment to be made to the "Manifesto of the Communist Party" is this: "The commune has proved this point: 'The working class can not simply grasp the existing state apparatus to attain its goal,'"<sup>59</sup> but must smash or "blow up the old political power and replace it with a new democratic political power." According to them, in addition to abolishing the old government's material powers of coercion such as the police and standing army, the quintessence of the new political power also comprises the low salary system for government officials, the system of general elections, and the system of allowing voters to dismiss government officials and replace them with new ones at any time.<sup>60</sup> Later on Lenin explained: "The Commune which replaced the smashed state apparatus seems to be 'merely' a better democratic system which comprises the abolishment of the standing army as well as the implementation of systems which would allow general elections, people to hold public offices, and employee dismissal and replacements. However, what seems to be 'merely' a better system actually means replacing some organs with other organs based on different principles." According to Lenin, "when a country's democratic system reaches what is generally imagined to be the fullest and most thorough extent, it will cause a qualitative change in the country."<sup>61</sup> For various reasons, these quintessential points of the Marxist theory of the state were not put into practice later on. However, the quintessential points show the sprouting of the idea about the check and balance relations among property rights, civil rights, and state power, thus greatly enlightening us on our current attempt to comprehend the system of social rights and to acquire a better understanding of the essence of socialism.<sup>62</sup>

In particular, Chinese society was once well known throughout the world for having the longest history of a powerful monarchy. Due to the deep influences of the modern centralization of state power as well as the closed political mode of traditional socialism, bureaucratic departmental selfishness has been deeply ingrained in China and is still prevalent to this day. Therefore, if we merely understand property rights and fail to understand civil rights and political power (which comprises imperial power and bureaucratic power) as well as their interrelationships, positions, and historical developments, we will not be able to understand Chinese politics nor will we be able to truly understand the economy of China.

2) The evolution of the system of social rights.

History shows that the emergence of rights and the division of power occurred almost at the same time. In the primitive society with a sparse population, the human social relations made no distinction between rights and duties.<sup>63</sup> Despite the emergence of some public management positions in primitive society, they merely embodied the will of the people and did not represent the power of coercion. The consciousness of personal rights emerged only after independent personal labor achieved some economic significance. Therefore, the ownership of one's own personal labor became the logical and historical starting point for all rights. When labor showed economic value and became the object of ownership, this was first shown in the form of prisoners of war becoming the property or slaves of some families. Perhaps we can say this: Since their embryonic stage, property and civil rights have been attached to each other; clearly defined property ownership almost began with defying the will of other people, namely owning other people; and the change from simply killing prisoners of war to giving them the chance to live was the starting point for the self-consciousness of civil rights. Thus, state power emerged as the times required. "To prevent these opposites, namely the classes with conflicting economic interests, from destroying themselves and the society in meaningless struggles, there was a need for a force that could be superficially placed above the society. This force should mitigate conflicts, and keep the conflicts within the limits of 'order.' This kind of force, which was born of the society, considers itself to be above the society, and is increasingly divorced from the society, is the state."<sup>64</sup> The state power characterized by safeguarding property rights can be clearly seen through the historical facts that the great majority of the countries in world have made rules for citizen's rights on the basis of a person's financial situation or estate.<sup>65</sup>

There were deep economic reasons for state power showing favoritism for property rights from the very beginning. Property ownership has always played a very revolutionary role during some abrupt times in history. For example, it was the establishment of slave ownership that ensured that the small surplus created by the ancients would be spent on social accumulation and a small number of people in ancient times, thus bringing about the splendid ancient civilizations (such as the Greek and Roman civilizations). Therefore, under the historical conditions at that time, the ownership of slaves was a great historical progress.<sup>66</sup> Of course, even in ancient times, there were incessant conflicts between the demand for civil rights and the ownership of property. (Civil rights are based on the consciousness that men are born equal as well as the general and interdependent characters of human beings.) However, when decentralized agricultural management began to show economic superiority or economically superior potentials as compared with centralized agricultural management, the demand for civil rights in ancient times (such rights at that time merely meant the right to survival) achieved

historical justice, thus helping the serfs to defeat the slave ownership system. (The slave ownership system was defeated for various reasons including the following: There were large-scale slave uprisings; the labor productivity of slaves was low; slaves were slow and destroyed tools; and the costs of supervising and controlling slaves were too high.)

The abolishment of the slave system was the first victory of historical importance in promoting civil rights. On the one hand, it won the most basic civil right, namely the right to survival; on the other hand, it removed the ownership of people from the field of property rights. After this, during the long years of the development of the feudal agricultural civilization, real estate became the major form of property rights.

Prior to the emergence of the industrial civilization, state power was generally inclined to adopt the imperial system or the autocratic monarchy characterized by centralization of power, and was not inclined to establish a pluralistic power structure characterized by checks and balances. This was possibly due to the fact that as far as the agricultural civilization was concerned, the imperial system was a relatively economical form of state. In addition, as rights of the person, namely the higher rights of members of the society, were not realized at that time, even if a modern democratic system was invented at that time, there was no basis for implementing such a system.<sup>67</sup>

The change from agricultural civilization to industrial civilization has exerted a decisive influence on the world structure of today. We can see now that the important basic conditions for making such a change not only include the accumulation of productive forces and primarily the accumulation of knowledge and technology but also include the establishment of a system of rights. Such a system of rights can make positive social appraisals of efforts made in exploring the sources of nonagricultural wealth, thus guiding the "human capital" to develop in a specific direction. The lack of such a system of rights was the basic reason for many agricultural civilizations including the Chinese civilization to have repeatedly missed opportunities for making a change from agricultural civilizations to industrial civilization.

According to some authoritative researches, the existence of independent land-owning aristocrats or the existence of the stratum of independent urban populace as well as their change for commercialization were the essential prerequisites for the establishment of capitalism.<sup>68</sup> "In Europe, the divisions among the pope, emperors, and aristocrats were conducive to the merchants breaking through the shell of the traditional agricultural society. Through pluralistic competitions, the merchants established the eye-catching sources of power."<sup>69</sup> The powerful imperial system in China closed the road of development of independent aristocrats, cities, and common people. This kind of absolute imperial power resulted from the closed land ownership



within the natural political system. Therefore, when an emperor discovered during the later stage of his rule that the foundations of his rule were threatened by the vicious expansion of property rights and bureaucratic power, he would find himself too weak to successfully achieve a certain kind of balance between property rights and civil rights (civil rights at that time merely meant the right to survival). In addition, the flames of peasant uprisings always destroyed both the property rights and imperial power.<sup>70</sup>

However, just as appropriate property rights have brought benefits to mankind, appropriate imperial powers also repeatedly played revolutionary roles. During the initial stage of the Industrial Revolution, imperial powers unified and cleared up their domestic markets and certainly restrained the avaricious early stage capitalists from unrestrainedly oppressing and exploiting the workers. These were the two rather distinct achievements scored by the imperial powers.

The significant point is this: although the realization of industrial civilization is seen today as a great historical liberation of civil rights, winning the personal freedom at the cost of depriving small-scale private ownership was definitely not the result of the workers' free will. A long time after winning personal freedom, people achieved the full understanding that having completely independent rights of the person is of great importance to the liberation of men. With the independent rights of the person and the citizen's political rights which were developed on the basis of the rights of the person, democracy, freedom, and equality, the three things that mankind had long yearned for have at least become the possible forms. The development of the independent rights of the person and the citizen's political rights has restructured and is also restructuring the whole system of rights.

During this revolution, changes in property rights have also been soul-stirring changes. First of all, the industrial civilization enabled property ownership to break through the bounds of having landed property as its major form, and also enabled it to directly treat any abstract values or any rare resources in short supply (such as knowledge) as its objects. At first the diligent and uncontrolled property ownership activities of swallowing up other rights and taming even the state power caused the widespread fear of the essence of property ownership as well as the unanimous indignation expressed by all kinds of socialists. (See "Manifesto of the Communist Party," written by Karl Marx and Friedrich Engels.) However, the inner contradiction between the property ownership at this stage and the prerequisite for production was first pointed out by the founders of scientific socialism. This contradiction led to the practice of discarding the mode of private ownership as analyzed in the previous part of this article. As a result, there was another long march in which property ownership as the privilege of a few people was being changed for the first time into general civil rights.

It is quite clear that the one and only party that suffered losses in this change is the state power. After this change, even if the imperial power still exists, it will be just a nice outer form; democratic republicanism will generally become a more balanced regulator for regulating the relations between property rights and civil rights.

Now we can give the following brief description of the principles governing the development of the social system of rights.

When personal interests, rights, and duties in ancient society began to show independent meanings, a certain social system of rights would be the general norm for regulating the relations between individuals as well as the relations of the individual to the society. Men's basic behavioral motives would constitute the micro foundations of such a social system of rights, the property and civil rights would constitute the core of the system, and the state power would become the medium of the system's operations. The system would embody the relative social appraisal of both the external resources in short supply (the shortages of such resources would sometimes be connected with men's social activities) and the internal resources, namely human capital. The connotations of these rights and power, the establishment of the relative positions of these rights and power, and the ever-changing structure for balancing these rights and power correspond to certain development stages of civilization. This system of rights would prevent the inroads of individual persons or individual groups on the society, and would also decide on the distribution of the surplus of social wealth, thus leading human capital to develop in a certain way for the purpose of changing the relative shortages of resources as well as the relevant social appraisal. When the social appraisal coincides with the economic surplus or profit making opportunities that can be provided by social productive forces at that time, the system of rights itself would become the source of new economic surplus. If things do not turn out in the ways mentioned above, the society's productive forces would fail to reach a higher level until the external or internal stochastic factors change the relative shortages of resources and break the system of rights that corresponds with the existing social production, thus forcing the change of the original appraisal system and causing the extermination or regeneration of the existing civilization.

3) The essence of socialism—the transition to a still higher social formation.

The development of the social system of rights since the splitting up of the ancient society has passed several major stages which are more or less similar to the stages of the advancement of the social economic formation. With the establishment of agricultural civilization, property ownership experienced its first retreat, namely retreating from the ownership of people. After this retreat, the most basic civil right, namely the right to survival, was won, and the imperial powers established



more dependencies in various parts of the world. Industrial civilization brought about the gradual progress of the formation of property ownership, namely breaking the traditional material shell of property ownership. Capital ownership was established at the cost of turning the workers with small-scale ownership into proletarians; the workers won the rights of the person and political rights at the cost of losing their own property. At the same time, the imperial system was gradually replaced by the democratic republican system. It was at this stage that the socialist trend of thought sprouted.

After seeing that the proletarians had only won superficial equality, Karl Marx called for eliminating the capitalist private ownership of the means of production as well as the proletarians and owners of property. His idea was not about establishing a new rule by the propertied class. We can see that Marx truly grasped the essence of the social economic development. His idea about such a development has begun to become reality. With the discarding of property ownership, namely the discarding of the private ownership of property, and under the new conditions, it is now possible to realize Marx's prediction about having the worker's personal ownership of property on the basis of the joint ownership of the means of production. With the worker's personal ownership of property becoming a civil right and with the winning of the rights of the person as well as political rights, a new epoch making period has arrived. Having a preliminary combination of property and civil rights during the stage for implementing the worker's personal ownership system should be the basic goal of the practical socialist movement. Such a combination changes the historical attribute of property ownership as being the monopolistic privilege enjoyed by a few people, thus reflecting the essential stipulation of scientific socialism. It now seems that the following goals of communism as mentioned by Marx are no longer unreachable goals: Every person seeking free development prepares the conditions for all other people's free development; to meet the workers' needs for self-actualization. With the theory of the changes in the level of human needs indicating that the needs for self-actualization are man's highest needs, with human capital increasingly becoming the source of wealth as well as the direct means to meet human needs, and with the infinite diversity of human capital providing infinite potentials, the two goals pursued by mankind for generations, namely self-actualization and social justice, are becoming more and more attainable.

According to the conclusion drawn from the development of the social system of rights, the ideal society or communism probably will not just arrive ultimately as the people originally imagined, but will be a limitless mode like paradise; this kind of limitless mode also contradicts the essence of dialectics. However, the transition to a still higher social formation will mean a tendency toward a limitless combination of property and civil rights, that the state power tends to weaken limitlessly, and that the creative power of mankind tends to develop limitlessly. This transition will also involve a

process in which the infinite diversity of human capital increasingly becomes the direct source of social wealth. In short, an ideal society will not just arrive but will be realized through the process of pursuing and pressing on toward the immeasurable goal.

**Brief Summary:** The traditional socialist mode has absorbed and stubbornly developed the utopian portions of Marx's prediction about socialism (such utopian portions include planned product economy, ownership by the whole people, and distribution according to work). In addition, this mode has also cast aside some quintessential parts of Marx's theory of socialism. All these things are the economic and political roots of the major challenges facing the socialist movement for nearly half a century. The reform movements carried out by socialist countries are the outcomes of these challenges. Marx's plan for socialism was originally aimed at actively challenging the enormous contradictions and conflicts created during the development of capitalism in the last century (such contradictions and conflicts included the private ownership of the means of production and the socialization of production; the wide gap between the rich and the poor and antagonism between classes; as well as the periodic economic crises and the most absurd ways of swallowing up the social wealth and productive forces already created by mankind.)<sup>71</sup> Socialism can go with the tide of historical development, and through continuous self-criticism and negation, socialism can also continue to be the positive opposite in the present Western society. On the other hand, due to the motivation created by its internal contradictions as well as its internal and external opposites, the early stage capitalism had blazed new organizational, institutional, and social trails, skirted around what were seemingly unsurpassable barriers, and also encountered new challenges and rises during its development. Therefore, just as Marx had made predictions about human societies tending to develop in the same direction, the existence of the positive antithesis and competition between different ideological trends and systems as well as the existence of various choices will apparently help human societies reach an even higher level of civilization. Such existences can even be described as the necessary ways to reach a still higher level of civilization. The historical development of the system of rights shows that if socialism wants to get rid of its outdated portions in order to once again become a crack force brimming with vitality on the main road of the development of world civilization, it must reestablish property ownership on the basis of the personal ownership system for workers, remold civil rights, and thoroughly reform the state power structure. If we do not promote or even consider this kind of essential transformation, the inevitable logical result will be that our socialist reform will sooner or later be caught in a dilemma. On the basis of this kind of understanding, we can truly begin to scientifically analyze the drawbacks in the traditional socialist mode, the crisis of our reform, and the way out for our reform. (To be continued)

### Footnotes

1. See the first part of this article carried by JINGJI YANJIU No 9, 1988.

2. See Lin Yifu's article "The Economic Theory about Institutional Changes: Changes Made Through Induced and Compulsory Means," carried by FAZHAN YANJIU BAOGAO No 3, 1988, a publication of the Development Research Institute under the State Council Rural Development Research Center.

3. History shows that reforms conducted through the second pattern under a monarchy were often successful ones. After resolving the information issue, an absolute monarchy, with "the sovereign meaning the country," can ensure the unity of interests at the highest level before and after a reform. However, under a pluralistic or oligarchic political structure, changes in the structure of relative interests during the process of reform can lead to contradictions, conflicts, as well as a miscarriage of the reform itself. Some people once drew a loose analogy, saying: If Comrade Mao Zedong launched a reform instead of the Cultural Revolution, such a reform could have been more successful than ours. In fact, this argument is untenable. In the following part of this article, we shall explain our conclusion that as our market-oriented reform is a real revolution, its development will inevitably lead to the negation of monarchy.

4. The so-called "experience in facing three lights," namely, making a detour at a red light, double marching in the face of yellow light, and pushing to the front at a green light, has been propagated and popularized. This is a typical negative experience based on the spontaneous activities of seeking partial and local interests.

5. In fact, if price reform must be described as a test, it is linked with the whole economic reform.

6. Of course, this is only determined in the context of a static structure. Many areas in China are currently implementing the method of typing the sale of commodities that are priced through market mechanism. For example, the sale of a color television set that is priced by the state is tied to the sale of several hundred jin of dried vegetables that are priced much higher than the market price. This is called the practice of "recuperating losses incurred within the dike through achieving gains outside the dike." If this kind of policy speculation becomes a widespread occurrence in our country, our integration will not only lose the good qualities demonstrated by integration in some other countries, but will just amass and magnify malpractices within the two interim forms. This is an example showing that cultural differences can change the economic cost of implementing a system.

7. For example, economic studies have long ago revealed the fact that the low prices set by mandatory state plans and the unified distribution system are the roots that bring about the discriminating and stratified treatment

for enterprises as well as speculation and profiteering on the black and grey markets. The interesting thing is that both those comrades who favor immediate transition to a complete reliance on market regulation and those comrades who favor planned purchase and marketing by the state at the present stage put the blame on the double track system for creating the discriminating and stratified treatment as well as those speculation and profiteering. Many comrades who favor a complete reliance on market regulation should think the following situation through: As we cannot achieve immediate transition from planned regulation to market regulation, if we not only avoid doing a solid job of solving problems in the dual system but just devote ourselves wholeheartedly to abolishing the double track system and speeding up the transition, the chance of solving the problems will be bungled, there will be a continuous increase in pressures and obstructions, and what will be "abolished at an accelerated pace" will not be the planning track those comrades intend to abolish but will be just the market track.

8. Quotation from Karl Marx's article "The Eighteenth Brumaire of Louis Bonaparte," carried by "Selected Works of Karl Marx and Friedrich Engels," Vol 1, p 607.

9. In writing the following part of this article, we felt a strong lack of knowledge. Those who read this part carefully will first see the exposure and criticism of some of our own viewpoints. This attempt is aimed at arousing more comrades to take interest in major theoretical issues as well as encouraging the emergency of more valuable academic research in this regard.

10. Quotation from Friedrich Engels' article "On Opposing Duhring," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, pp 297-298, 320, 322.

11. Ibid. [page number not clearly specified].

12. Ibid. [page number not clearly specified].

13. Ibid. [page number not clearly specified].

14. Ibid. [page number not clearly specified].

15. Ibid., p 306.

16. Ibid., p 299.

17. Quotation from Marx's article "Wage Labor and Capital," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 375.

18. Marx: "Das Kapital," People's Publishing House, 1975 edition, Vol 1, p 832.

19. Quotation from Engels' article "Principles of Communism," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 217.

20. Quotation from the article "Feuerbach," written by Marx and Engels, and carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 72.

21. See Marx's article "On the Nationalization of Land," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, pp 452, 454.

22. See Engels' article "On Opposing Duhring," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, pp 319.

23. Ibid., p 435.

24. See Marx's article "On the Nationalization of Land," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, p 454.

25. See Engels' article "On Opposing Duhring," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, p 435.

26. See Marx, "Das Kapital," Vol 1, p 95.

27. See Marx's article "Critique of the Gotha Program," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, p 10.

28. Marx, "Das Kapital," Vol 1, p 106.

29. See Engels' article "Karl Marx, A Contribution to the Critique of Political Economy," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, p 123.

30. See Engels' article "On Opposing Duhring," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, pp 435, 309, 323.

31. We see no essential distinction between a generalized ownership by the people and state. This is because when a state exists, it will inevitably be the formal representative of the unified society. In this sense, Marx and Engels equitably used the terms social ownership and state ownership. Judging from the prerequisite for productive forces, the target of realistic socialist reform is not ownership by the people in the form of state ownership but ownership by the society itself. Incidentally, when we and some other comrades put forward the assets management responsibility system, we tried to resolve, through the establishment of a state assets management system, issues concerning the form and independence of ownership. As a starting point of the reform, this was necessary and feasible. It now seems to have shown great limitations. This point can be found in the article "On Restructuring Microeconomic Foundations," carried by JINGJI YANJIU No 3, 1986. We are going to analyze this point in detail in the following parts of this article.

32. See Marx's article "Preface to a Contribution to the Critique of Political Economy," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, p 101.

33. See Marx's article "On the Nationalization of Land," carried by "Selected Works of Karl Marx and Friedrich Engels," Vol 2, p 452. Incidentally, more and more comrades have now seen the drawbacks in having the state directly run enterprises. However, many people still regard state ownership as an unchangeable basic principle. This argument is against state-run operations but is also in favor of state ownership. Let us leave aside for the moment the point of whether the argument is tenable in both theory and practice. It is definitely clear that the argument does not conform to Marxist theoretical logic.

34. See Engels' article "Socialism: Utopian and Scientific," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, p 435.

35. See Engels' article "Principles of Communism," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 221.

36. See Lenin's article "First All-Russia Congress on Adult Education—19 May 1919," carried by *Collected Works of Lenin*, and published by People's Publishing House, 1956 edition, Vol 29, p 321.

37. See Engels' article "The Speech in Elberfeld," carried by *Collected Works of Karl Marx and Friedrich Engels*, Vol 2, pp 605-607.

38. See Oscar Lange's article "On Socialist Economic and Theoretical Issues," carried by *An Anthology of Modern Economic Articles*, Vol 9, published by Commercial Press, 1986 edition.

39. See Bruce's book *On Issues Concerning Socialist Economic Operations*, published by China Social Sciences Publishing House, 1984 edition; also see Oto Sik's article "The Necessity of Having Markets and the Macrodistribution Plan Within the National Economy," carried by *An Anthology of Articles on Issues Concerning Socialist Economic Modes*, published by People's Publishing House, 1983 edition.

40. See Marx's article "Critique of the Gotha Program," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, p 11.

41. Marx noted: "In an industry which uses machines, one worker's labor is almost worth the same as another worker's labor; the difference between two workers is that they do not spend the same amount of time on their labor." The physiological and spiritual difference between people engaged in the same type of work, and the qualitative difference between people engaged in different types of work, can only be seen through their quantitative diversities. "If we say that there is a qualitative difference between two workers' labor, this kind of difference definitely cannot be regarded as a distinguishing feature but can only be regarded as an insignificant difference." He added: Due to the use of machines in labor, "man is relegated to a secondary position; the



pendulum of the clock has become as accurate a measure of the relative activity of two workers as it is of the speed of two locomotives. Therefore, we should not say that one man's hour is worth another man's hour, but rather that one man during an hour is worth just as much as another man during an hour." "Man is, at the most, time's carcass. Quality no longer matters. Quantity alone decides everything; hour for hour, day for day; but this equalization of labor is not by any means the work of Mr Proudhon's eternal justice; it is purely and simply a fact of modern industry." These points can be found in Marx's article "The Poverty of Philosophy," carried by *Collected Works of Karl Marx and Friedrich Engels*, Vol 4, pp 96-97.

42. Granted that financial resources and equipment are two factors of equivalent qualities, and granted that technology remains unchanged, the diversity of products of standard labor can generally be described as a quantitative diversity of labor. For example, the piecework wage system in some factories and workshops is based on this assumption. However, it is clear that technological progress since the beginning of this century has not promoted, but actually weakened the development of this trend. In addition, modern technology has not shown any possibility of measuring the diversity of the amount of labor done by individual workers in enterprises, institutions, offices, and organizations. Our current distribution problem is not due to the failure to truly implement the general principle of "to each according to his work" but is actually due to the ideological trammels of this utopian principle.

43. See Marx's article "The Poverty of Philosophy," carried by *Collected Works of Karl Marx and Friedrich Engels*, Vol 4, p 96.

44. Marx noted: The principle and practice of distribution according to work "no longer contradicts each other." "In commodity exchange, the exchange of equivalents exists only on average and does not exist in every situation. See Marx's article "Critique of the Gotha Program," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, p 11. should point out that the points of view on this issue, as expressed by one of the authors of this article in his published article, can now be seen to be apparently wrong—see the article "On The Issue of Choosing Ownership During the Economic Reform," written by Hua Sheng and others, and carried by JINGJIXUE DONGTAI, Vol 1, 1986.

46. See "Manifesto of the Communist Party," written by Marx and Engels, and carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 265.

47. Property rights were originally used as the social norm for defining the relationship of benefits between people. If we completely break away from this basis and eliminate personal property rights, we will never be able to establish multiple public-owned property rights, and ultimately our social structure will degenerate into the

system of ownership by the whole people, namely the nonexistence of property rights.

48. It should be noted that quite a few Western scholars regard the special form of existence of capitalism as the natural form of a civilized society. Therefore, they consciously or unconsciously equate property rights with private ownership, saying that "it is impossible to separate the market and the functions of market price from a society that is based on the private ownership of the means of production." The above points can be found in Ludwig von Mises' article "Economic Calculation in the Socialist Commonwealth," found in the book *On Socialist, Economic, and Sociological Analyses*, published by the British company, Jonathan Cape Ltd., 1936 edition. Some scholars, who are devout believers in the theory of trading cost, even think that "having a clearly defined and sound system of private ownership is the 'one and only prescription' for promoting economic growth—any other factors are minor ones." These points can be found in Chang Wu-Chang's [chang wu chang 1728 0063 1603] article "Ownership and the 'Depreciable' Assets," found in the book *The Second Book on Issues Concerning China*, Hong Kong Economic Journal Co., Ltd., 1987 edition, p 72.

49. Marx: *Das Kapital*, Vol 1, p 829.

50. See "Manifesto of the Communist Party," written by Marx and Engels, and carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 266.

51. Marx: *Das Kapital*,—a Chinese translation of Marx's revised French edition published by the China Social Sciences Publishing House in 1983, Vol 1, p 826.

52. For example, according to Article 4, Section 5 of the U.S. Standard Company Law, a company is entitled to "sell, divert, mortgage, pawn, let, exchange, and transfer the possession of all or part of its property and assets, and is also entitled to use other ways to handle all or part of its property and assets." See "The United States Company Law," published by the Beijing University Publishing House in 1981.

53. In fact, in pointing out that the capitalist forms of "personal management" and "personal ownership" are in opposition to the socialization of production, Marx and Engels noted: "There can be only two forms of ownership of the means of production—either personal ownership, ... or public ownership"—"An industry under personal management will inevitably lead to private ownership." See *Selected Works of Karl Marx and Friedrich Engels*, Vol 4, p 302, and Vol 1, p 217. Marx also noticed the revolutionary role played by joint stock companies. He said: "The joint stock system was created by the capitalist system to discard capitalist personal assets" as well as the "potential ownership of capital." See Marx: *Das Kapital*, Vol 3, pp 492-499. However, Marx and Engels did not draw a further conclusion on the basis of the above points. There are two reasons for



this. First, as they were influenced by the hypothesis on the straight expansion of socialized production, they thought that joint stock company, "as a form of socialized production, is not sufficient enough;" that this form is just a "transition form" or an "essential transition point for turning capital once again into the producers' assets," and that with competition being replaced by monopoly, it will be possible to directly carry out the deprivation [of personal ownership] within the whole society, namely the whole nation. See *Ibid.* Second, the limitation of historical conditions. In the days of Marx, factories run by owners had just been transformed into companies, a few major shareholders of the companies—yesterday's factory owner-capitalists—still had direct control over their enterprises, and the working class and ordinary laboring people were still quite poor and had very few savings. Even if the concept of worker shareholder emerged in those days, such a concept could only be a mockery or joke. As a result, although Marx and Engels described the then joint stock companies' practice of enabling capitalists to live on interest coupons as "completely uncalled for," they failed to see that these kinds of capitalists could be gradually eliminated through social competition and that they could be replaced by the workers themselves. They made this appraisal on the basis of the situation they faced: "Within the joint stock system, there is already the antithesis of socialized means of production and personal property in the old form; however, this transformation in the form of shares is still within capitalist bounds." See Marx: *Das Kapital*, Vol 3, pp 435-436.

54. See the article "A Study of the U.S. Stock Market Economy," written by Zhang Xuejun, Diao Xinshen, and Peng Zhaoping, in JINGJI YANJIU, No 1, 1987.

55. See Engels' article "The Speech in Elberfeld," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, pp 615-616.

56. See Engels' article "On Opposing Duhring," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, p 318.

57. See Engels' introduction written for the article "The Civil War in France," 1891 separate edition, carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, p 334.

58. See Marx's article "The Civil War in France," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, p 409.

59. See "Manifesto of the Communist Party," written by Marx and Engels, and carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 229.

60. See the article "The Civil War in France," in *Selected Works of Karl Marx and Friedrich Engels*, Vol 2, p 335, pp 413-414.

61. See Lenin's article "The State and Revolution," carried by *Collected Works of Lenin*, Vol 25, People's Publishing House, 1958 edition, p 406.

62. The property and civil rights have become the norms of general rights in various societies since the very beginning of the recorded history of mankind. The existence of such norms resulted from the deep historical micro foundations. As man is the superior being with fully developed self-consciousness and expected behaviors, the property and civil rights came into being on the basis of the unity of the most basic existing relations, namely the contradictory relations between individual existence and collective or social existence. If we make a very general generalization about this kind of dual relation, we can say that the following should be regarded as the most basic hypothesis.

1) The hypothesis about discontent. This refers to man's tendency to seek (at least not to reject) continuous growth of welfare. This is perhaps the most essential difference between man and animal. This is also society's basic motivation to develop itself into a still higher form. The law of changes in the levels of human needs as discovered by (Ma Si Luo) [ma i luo 7456 2448 3157] not only has tested and verified this hypothesis but has also enriched its connotations. This is also the most basic presupposition put forward by the main stream of modern Western economics.

2) The hypothesis about general character and dependence. This has three implications. First, as human beings exist in flocks and share certain natural instincts and needs, they are faced with some common destinies and opportunities. Second, man can exist only as a member of a society and cannot exist in isolation. Third, with the rise in the level of human needs, man is less and less dependent on material things to meet his needs but is increasingly dependent on other people to meet these needs.

3) The hypothesis about the infinite diversity of human capital. Human capital can be defined as the inborn and acquired abilities and potentials of human beings. The infinite diversity of human capital exerts a great influence on the behavioral motives of human beings. Anybody can gain relative interests through the division of labor and exchange. The competitive behaviors of human beings not only result from unsatisfied needs and the shortage of external resources but also result from the needs for self-actualization on the basis of the infinite diversity of human capital. Due to the infinite diversity of human capital, the true meaning of equality is not giving the same treatment to all people but is maintaining a relatively balanced personal freedom of choice.

4) The hypothesis about the life cycle. This hypothesis presupposes that man does not seek the maximization of short-term consumption but seeks the maximization of consumption or satisfaction during his whole life cycle. Although this hypothesis has been formed over the past

three decades of research on issues concerning consumption, it has been used as a powerful tool for interpreting the human motives for savings and accumulations over a long period of time. In addition, this hypothesis has led the human expectations of the future into the field of behavioral analysis, thus filling the big gap in research.

Therefore, this is different from the moralists' debate about whether human nature is good or evil. Judging from the economic angle, man is the unity of diversities which cannot be described as good or evil. It is true that due to their different stresses on the diverse aspects of human character, economists have been supporting different ideas and theories. It is easy to prove that the four hypotheses mentioned above constitute the prerequisite for the norms of the two basic human rights, namely the property and civil rights. Of the four hypotheses, the first and fourth hypotheses are bases on the achievements scored by Western economists.

63. See the article "The Exchange and Power in Social Life," written by Peter Bu Lao [bu lao 1580 0525], published by Huaxia Publishing House in 1988, Chapter 5; Also see Engels' article "The Origin of the Family, Private Ownership and the State," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 4, p 166.

64. See Engels' article "The Origin of the Family, Private Ownership and the State," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 4, p 166.

65. Ibid., p 168.

66. See Engels' article "On Opposing Duhring," carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 3, pp 220-221.

67. Although there was a relatively mature democratic form in the ancient Green city-state, "it was an abnormal development which was subordinated to the community system of ownership." A small number of citizens, namely freemen, "jointly owned their working slaves." The essential conditions for implementing this kind of democratic system are that most people in the society have completely lost all their rights and that there is a "joint ownership system" for a small number of "active citizens."—The above quotations came from the article "Feuerbach," written by Marx and Engels and carried by *Selected Works of Karl Marx and Friedrich Engels*, Vol 1, p 26. With the splitting up of the stratum of freemen and the decline of the slave-owning system, this social structure and its freemen's rights quickly disintegrated. Following the abolishment of the slave-owning system, having a limited economic surplus is a kind of excessive luxury in any democratic systems. It was apparently not an accidental phenomenon that during the historical stage immediately after the abolishment of the slave system, all regional civilizations adopted the imperial system which was a relatively economic form of power.

68. See Barrington Moore's book *The Social Origins of Democracy and Autocracy*, published by Huaxia Publishing House in 1987, Part 3, p 137. "In Europe, the divisions among the pope, emperors, and aristocrats were conducive to the merchants breaking through the shell of the traditional agricultural society. Through pluralistic competitions, the merchants established the eye-catching sources of power."

69. Ibid.

70. Although there were frequent peasant uprisings and dynastic changes in the history of China, they all failed to destroy, once and for all, the imperial power, namely replacing the imperial power with something new. There were reasons for this failure. One of the reasons was that the imperial power was the enlarged copy of a combination of landed property and the small-scale farming structure. Another reason was that the excessively powerful imperial power had seriously twisted the structure of the social system of rights. To rule its empire, a powerful imperial power needed a huge bureaucratic apparatus. Despite the fact that the expansion of bureaucratic power had threatened the imperial rule, imperial power and bureaucratic power had always complemented each other, thus creating the evaluation rules, namely that "bureaucratic power surpasses property ownership" and that "people of low position are treated like dirt." In the history of China, "the greatest material rewards were not provided by the land itself but were provided by the bureaucratic apparatus."—This point can be found in Barrington Moore's book *The Social Origins of Democracy and Autocracy*, published by Huaxia Publishing House in 1987, p 134. With the establishment of this kind of special Chinese rules for evaluating human capital on the basis of the system of rights, large numbers of talented people squeezed into the narrow and small entrance to the increasingly unwieldy bureaucratic apparatus in their capacities as warriors, Confucian scholars, or eunuchs, thus expending the limited economic surplus. In fact, the history of China shows that, in the past, the country was not without the essential conditions for developing capitalism such as a large market, a developed handicraft industry, a flourishing commercial sector, prosperous cities, the second discovery and use of energy resources, the existence of the rich and powerful aristocrats, and the existence of a certain number of free works. However, all of them were just the accessories and ornaments of the developed imperial power. According to Max (Wei Bei Er) [wei bei er 4850 6296 1422], a developed handicraft industry "played a decisive role in moving toward capitalism."—See Max (Wei Bei Er's) book *The General History of World Economy*, published by Shanghai Translation publishing House in 1981, p 236. However, China's developed handicraft industry was not primarily engaged in price competition in accordance with market needs, but was engaged in qualitative competition for the purpose of serving the imperial court. The havoc caused by imperial and bureaucratic powers always endangered commodity exchange. We can get a rough idea of such

dangers after reading Bai Juyi's [poet of the Tang Dynasty] poem "Song of a Coal Seller." In the history of China, all famous big cities, commercial prosperity, and the changes of dynasties disappeared like dreams. We can get some idea of this kind of disappearance after reading the "Wondone song" in the book *The Dream of the Red Chamber*. Using the aforementioned hypothesis about dependency to explain the reasons for the existence of formidable imperial power in China can lead to some very interesting conclusions. This can also give an enlightening explanation of the reasons China encountered special difficulties in moving toward modern civilization. It is a pity that we cannot elaborate on these points here.

71. Even the author of the book *Manifesto of the Capitalists* has said: "No one will doubt the fact that capitalism of the 19th century was unjust." They lightly and casually interpreted the centuries of "historical injustice" as a "historical fortuity."—See the book *Manifesto of the Capitalists*, written by Adler, published by Shanghai People's Publishing House in 1958, p 3.

## AGRICULTURE

### Food Outlook for 1989

40060289 Beijing JINGJI CANKAO in Chinese  
26 Jan 89 p 2

[Article by Li Wengu [2621 2429 5466]: "Weighing This Year's Food Basket"]

[Text] While entrepreneurs worry about the market, housewives are always mindful of the food basket. In this new year of 1989, will greater abundance grace our dinner tables? Let us take a brief look at the information this reporter recently obtained from agricultural departments.

### Eat More Fresh Water Fish

The target set by the Aquatic Products Bureau of the Ministry of Agriculture for aquatic product output in 1989 is 11 million tons, an increase of 600,000 tons over last year. Of this total, the combined target for fresh-water and sea aquatic farming output is 6.5-plus million tons, whereas last year's output totaled 5.25 million tons; and the target for the ocean catch is 4.45 million tons, which would represent a slight decline from last year's catch, which totaled 4.54 million tons.

Last year, China's total aquatic product output exceeded the 10 million ton mark for the first time, making our country the third leading producer of aquatic products behind Japan and the Soviet Union. But China's per-capita supply is only 9.5 kg, which ranks us quite low in the world. Under current conditions, the development of our aquatic products industry continues to be limited by many unfavorable factors. For example, the fingerlings, feed, processing facilities, other infrastructural facilities, and services needed to develop aquatic farming have

failed to keep pace with the rise in output. Fishing boats and facilities are backward, so fishermen cannot go out to engage in distant or deep-sea fishing, which adversely affects our ability to fulfill market-supply targets. And funds are tight, so we have not been able to initiate many projects that are urgently needed.

Under these conditions, how can we ensure increased output of aquatic products? The guiding ideology of agricultural departments is exploiting advantages, tapping potential, and selectively and properly developing fresh-water and sea farming.

In recent years, China's principal coastal commercial fish resources have suffered severe degradation; aquatic farming has rapidly grown, posting an output of 5.25 million tons last year, exceeding the ocean catch, and becoming the leading supply source for aquatic products for the first time. China enjoys great potential for the development of aquatic farming. Given current technological levels, we still have nearly 100 million mu of undeveloped water body resources, including more than 20 million mu of coastal shoals, 30-plus million mu of inland waters, and 5 million mu of low-lying saline-alkali wasteland that is suited to fish farming. There is also great potential in such areas as increasing per-unit output and variety. Over the past several years, the Aquatic Products Bureau of the Ministry of Agriculture has drawn up plans for the vigorous development of fresh-water and sea farming in 46 major cities, for the establishment of 164 aquatic-farming base counties in 11 fresh-water farming bases and 7 coastal zones, and for stress to be placed on coastal resource reproduction, focusing on Bohai.

### Will There Be Less Meat in Our Bowls?

This year's target for meat output is 23.40 million tons, an increase of 200,000 tons over last year, of which amount pork will comprise 80 percent (18.753 million tons). This shows that pork will continue to be the "star" of the dinner table. Stabilizing live pig production thus has become key to the effort to stabilize pork supply.

Last year, localities across the nation raised procurement prices for live pigs, adopted a number of assistance programs, and thus improved peasant returns on pig raising and enabled live pig production to rebound and stably rise. According to statistics, there was a total stock of 337 million meat hogs at the end of last year, thus marking a return to the record level of 1986. Reports from around the country indicate that market supplies of pork will be adequate during the first half of this year. But experts in the trade say that there are a number of problems plaguing pork production that must not be overlooked, and these primarily involve a shortage of materials and funds needed for pig raising, and a recurrence of price-ratio imbalance between pigs and grain, all of which dampen peasant enthusiasm for pig raising and threaten "slippage" in production.



How can we stabilize live pig production and prevent major "slippage"? The State Council has decided to adopt a number of key assistance programs. In addition to retaining the various preferential policies of the past, the council has ordered increased allocative shipments of corn. Last year, 1 million tons were shipped from Jilin and other regions, and during the first quarter of this year the council plans to have another 1 million tons shipped from northern areas. In addition, exports of bean cakes, bean dregs, and corn will be restricted; imports of some types of fish meal will be increased; and assistance will continue to be rendered to the development of commodity bases producing lean-meat hogs. Even with money tight, the People's Bank of China continues to set aside developmental loans to support the establishment of medium and small intensive pig (and chicken) farms in Beijing, Tianjin, and Shanghai. And a group of specialized households is being encouraged to carry out production on an appropriate scale and to provide a full range of services.

#### **Vegetables, Whose Output Is Hardest To Predict**

According to the statistics of agricultural departments, large- and medium-sized cities have an average supply of about 180-190 kg of vegetables per consumer, and fine vegetables comprise nearly 60 percent of this supply.

Experts in the trade believe that it will very difficult to maintain the current level of vegetable consumption over the next several years. First, the area of old vegetable gardens in suburban areas close to cities is steadily declining, while output in new gardens has taken a while to increase. Second, the prices of the means of production used to grow vegetables have skyrocketed in recent years, and there are serious shortages of these goods. For example, you cannot lay your hands on some concentrated, low-toxic chemical fertilizers, no matter how high the price offered. And irrigation in vegetable gardens is poor; they are resistant to neither water-logging nor drought, and thus any natural disaster will adversely affect their output.

Over the next several years, the state will selectively stress development of a number of infrastructural facilities and production bases. The state plans to have large plastic shelters erected on 300,000 mu of land in northern regions, 200,000 mu of which will be on the Huang-Huai plain (including Henan, Shandong, Hebei, Jiangsu, and Anhui). Each year, these lands will produce 10,000 kg of vegetables per mu and supply 2 billion kg of tomatoes, eggplant, sweet peppers, celery, Chinese chives, and five other types of fresh, fine vegetables from March to May and from September to November, when vegetables are scarce. These vegetables will be shipped to various parts of the nation so as to reduce the need to transfer southern vegetables to the north. Another 100,000 mu of land in suburbs located at medium and longer distances from major cities will also be covered with plastic shelters so as to produce 1 billion kg of fine vegetables to meet local demand.

#### **Increasing Food Output To Control Inflation**

40060289b Hefei ANHUI RIBAO in Chinese  
25 Dec 88 p 2

[Article by Chang Shou 1603 4849: "Stress the Vegetable Basket and Efforts To Control Inflation"]

[Text] Food is the primary requirement in people's daily lives. China is a developing country, most Chinese families are by no means well off, and food purchases account for a large share of consumption expenditure. In 1987, food purchases comprised 60 percent of urban residents' total expenditure in Anhui; for higher income households, the share was 60 percent, and for lower income households, about 50 percent. This shows that the ratio of food expenditure relative to total outlays declines as income increases. Still, even among higher income households, expenditure on food remains the principal item in total daily outlays at the present stage.

Among foods, grain is a basic necessity of life, for other foods naturally are out of the question if people go hungry because that cannot get enough of this staple to eat. For urban residents, rationing now ensures a guaranteed supply of grain at stable prices, so the greatest impact on living standards comes from nonstaple foods, namely, the "vegetable basket" issue.

Why is this so? First, outlays for nonstaple foods form a major component of urban resident expenditure. In 1987, nonstaple foods accounted for an average of 59.4 percent of urban residents' total food expenditure in Anhui, and the rates for both higher and lower income households were about the same, approximately 59 percent. Staple and other foods accounted for a smaller share. Second, after decontrol, nonstaple food prices rose more than other food prices. Last year, nonstaple foods ranked first in the retail price index for 12 types of goods marketed by the state in Anhui. And during the first 8 months of this year, the rise in nonstaple food prices exceeded the overall rise in social commodity retail prices by more than onefold in the province. The "vegetable basket" question affects every family and has become a hot spot of inflation that is closely bound up with the people's lives. The masses' psychological ability to cope with inflation is rooted in their financial ability to cope. How well the "vegetable basket" issue is resolved not only affects our ability to control inflation but also influences the masses' assessment of reform and confidence in the government.

To control inflation, we must persevere in stressing both dampening aggregate social demand and increasing effective supply. To resolve the "vegetable basket" issue, we must both expand production and open marketing channels. Systemically, this effort affects the relationships between the countryside and the city, between supply and demand, and between production and marketing. It is an formidable task. Experience over many years has shown that substantial results can be obtained if governments at all levels conscientiously stress the



"vegetable basket" issue as a major task. What the masses fear is that the effort will be inconsistent—"a flurry of stress, then a spell of relaxation"—and treat the symptoms, not the disease.

The basic way to resolve the "vegetable basket" issue lies in expanding production. The sudden, rapid surge in nonstaple food prices ultimately stems from insufficient supply. Some experts believe that, with vegetable yields at 4,000 kg a mu, a garden area of at least 3.5 li per urban population is required if sufficient vegetable supply is to be ensured. Surveys indicate that the area devoted solely to vegetables in cities across Anhui is 20 percent below this standard. Thus resolution of the "vegetable basket" issue will not be achieved merely by "stressing relevant markets." The fundamental solution lies in increasing output; strengthening capital improvement of vegetable, meat, poultry, and egg production; raising the marketed rate; getting better economies of scale; resolving the contradiction between "small production" and "big markets"; and using the "nation of food" approach to ensure "vegetable baskets" are filled. Improving urban nonstaple food supply should be designated as one of the tasks in the effort to accelerate the growth of developmental agriculture, which should focus on scientific and technological development, be rooted in the development of production bases, promote intensive farming and the development of an entire range of services, so that "land productivity is maximized, material use is optimized, and commodity circulation is intensified."

While developing production, we must also use reform to coordinate the relationships between production and marketing and between city and countryside and gradually improve the market mechanism for nonstaple foods. Given current conditions, we must appropriately strengthen administrative control over markets, continue to enhance the role of state commerce as the main channel of circulation, and employ every method possible to ensure stable supply of popular foods of good quality. We must continue the policy of integrating city and countryside, strengthen all measures related to the effort "to use industry to supplement agriculture" and "to use industry to supplement nonstaple foods," and give peasants more incentive, through better relative returns, for increasing production of nonstaple foods for the cities.

For the coming year, the central authorities have called for a significant reduction in the inflation rate from last year's level. This not only is an important economic measure but also an important political task at the present moment. A comrade who is very experienced in economic work believes that, given Anhui's current price situation, an increase in the price of pork by 0.2 yuan a jin and rise in the price of vegetables by 0.1 yuan per jin will cause the social commodity retail price index to climb by one percentage point. Thus it is apparent that resolving the "vegetable basket" issue is crucial to our effort to control inflation.

### **Readjustment in Yunnan's Grain-Tobacco Mix Urged**

40060334 Kunming YUNNAN RIBAO in Chinese  
23 Jan 89 p 2

[Article by Wang Jiadong 3769 1367 2767: "Painful Reflection Is Required; Some Thoughts as I Cover the Debate Surrounding the Question of Readjusting Yunnan's Grain and Tobacco Mix"]

[Text] In contrast to the past, what makes this writer happy as the old year ends and the new one begins is that the issues of whether or not we should adopt a policy inclining toward grain, of whether or not we should focus our effort on achieving a proper readjustment of Yunnan's grain and tobacco mix, and of striving to increase grain output and maintaining bumper harvests of tobacco in the new year so as to promote the stable, coordinated, and healthy development of the province's national economy have become hot topics of conversation from the top to the bottom of society. This is a good omen that the province's agriculture, especially grain production, will change from cold to hot.

#### **I**

It was at the Yunnan Provincial Rural Work Conference, which was convened by the provincial CPC Committee and government early-middle December 1988, that readjustment of the province's grain and tobacco mix became a hot topic. To improve the province's agriculture, especially grain production, Jin Chaozhu [2516 2600 2691], secretary of the provincial CPC Committee, stressed at the conference that we must carry out a program of readjustment, reduce the "heat" in industrial growth and in tobacco production, and resolve to carry out readjustment of investment and cultivation through economic planning and production policy. Leaders of all quarters all believe that readjustment is required, but much controversy has emerged as specific efforts are made to carry out the grain-tobacco cultivation plan, and this was especially so at the subsequent Yunnan Tobacco Work Conference, where participants spoke candidly and bluntly.

Leading provincial CPC and government agencies report that there is concern that, on the one hand, the effort to readjust the ratio between grain and tobacco cultivation may fail and that, on the other hand, a slippage in tobacco output may occur. Indeed, these two possibilities do coexist, so the concern is not unwarranted.

Over the past several years, some of the "masters" of prefectures and counties that have "gotten rich on tobacco" are determined to readjust their grain-tobacco mix so that tobacco production is "partially eclipsed," but most such "masters" stress the monolithic nature of their local economic structures, emphasize that the readjustment must be gradual, or ask for "differentiated treatment" from their superiors. Otherwise, these "masters" claim, things "will be hard to control, and

orders will be impossible to carry out at lower levels, even when the upper levels issue the orders." It is understandable that such "masters" must take into account the impact on their local revenues. As the manager of one city's tobacco company was getting in his car to go to Kunming to participate in the tobacco work conference, the mayor waylaid and exhorted him: "The city's total tobacco area must not be less than 60,000 mu. You must strive to hold that minimum. We will figure out a way to increase grain output."

The views of departments in charge of grain and tobacco production vary. Comrades stressing grain output have long been critical of the "stress tobacco and slight grain" tendency, arguing that the main reason grain output in Yunnan has fluctuated for 4 years is that tobacco has taken over large amounts of cultivated land. Thus these comrades loudly applaud calls for cooling off tobacco production, believing that this approach would give hope to the effort to expand grain output. Comrades emphasizing tobacco production, on the other hand, argue that the failure of grain output to increase is due to a variety of factors. A delegate from Chuxiong Autonomous Prefecture who attended the tobacco conference did some figuring: In 1988, grain output fell by 85 million kg in his locality, tobacco took over 50,000 mu of 1,000-jin grain land, and only 25 million kg of grain would have been produced if all of this land had been returned to grain. Thus he concluded that there are five causes of the decline in grain output in his locality, including the ideological error of overlooking grain production, severe natural disasters, and poor returns on investment; he ranked the overheating of tobacco production last in importance. Such comrades claim that it is unreasonable to blame tobacco for the decline in grain output. Thus both sides of the issue stick to their views and seem to have a point.

A delegate from Malong County to the tobacco conference said: "Change has occurred in the grain-tobacco price relationship, and many tobacco growers do not plan to plant tobacco any more. The chief planner today is the head of the household, and peasants are contemplating a big slippage even if you are not."

Many people have indicated that readjusting the grain-tobacco output mix will not be easy and will require painful reflection if it is to be achieved.

## II

This painful reflection involves sober reflection, from the standpoint of Yunnan's overall economy, on the grim reality behind the excessive cooling of grain production and the overheating of tobacco output.

Let us first discuss the excessive cooling of grain production. Since 1984, when the 10 billion kg mark was exceeded, provincial grain production has fluctuated for 4 straight years, showing an overall decline of about 700 million kg from 1984 to 1988. During this period, however, demand for grain has greatly increased. The natural

growth in the province's population was 2 million, which reduced per capita grain supply from 299 kg in 1984 to 266 kg in 1988, a decline of 33 kg. Meanwhile, the food, beverage, and catering service industry, the food processing industry, and the brewing industry have surged, requiring large amounts of grain as a raw material; and the rise of the animal husbandry industry requires large amounts of grain for feed. There is also a transient population of approximately 2 million both inside and outside the province that has to buy grain at negotiated prices on markets. And peasants in a few tobacco producing areas devote all their land to tobacco and buy rice on markets after they sell their tobacco. Due to all these factors, state grain departments sell 900 million kg of grain in order to readjust market supply, peasants sell 500-plus million kg of negotiated price grain on markets, and the state provides a planned supply of 1 billion kg of grain to urban populations, for a total of 2.5 billion kg. In addition, the 20 million peasants consume a per capita average of 250 kg, for a total of 7.5 billion kg. So aggregate social demand for grain totals 10 billion kg, which amount exceeds total output. That is the reason behind the unusual phenomenon of grain prices rising just as new grain hits the market. Although peasants cannot tell you the political-economic principles behind this phenomenon, they do know how to figure and understand that grain prices form the foundation of the price ratios for other agricultural and sideline industrial products and that continued high grain prices will pull the prices of meat, eggs, vegetables, and other produce up. The latter scenario, should it occur, will undermine the effort to improve the economic climate and to establish new economic order, make it impossible to achieve the goal of holding this year's inflation lower than last year's, and may even adversely affect tobacco production, causing great slippage in output. Thus grain has become the primary factor threatening the stable, coordinated development of Yunnan's national economy.

Well then, can we return to the old magic formula of "you'll have grain if you have money" and "exchanging tobacco for grain"? Conditions have changed, and the old formula will not work any more. Only 25 million kg of the 175 million kg of grain Yunnan contracted with another province to obtain in exchange for tobacco was actually delivered. And even though we have sent representatives to press that province to make the deliveries and that province acknowledges the debt, there is no grain to ship, so what can we do to that province? Many localities also report that the contracts they signed to purchase grain have not been honored.

Completion of this year's plan to produce 10 billion kg of grain will only give us a tight balance between production and demand.

In sharp contrast to the "excessive cold" in grain production is the overheating of tobacco output. The plan for 1988 called for 3 million mu to be planted with tobacco, but there was widespread underreporting and 38 million mu were actually devoted to the crop, so that output leaped from 6.6 million dan the previous year to

10 million in 1988, rewriting the records for sown area, output, and quality and raising tobacco output to a completely new level. In the words of a responsible member of the Yunnan Tobacco Co: "No one could have imagined that Yunnan's tobacco output would make that kind of a breakthrough in growth. There is definitely an overheating problem here." There are three reasons for this overheating. First, planting grain yields lower returns, whereas tobacco produces high returns. Second, the implementation of financial responsibility has made counties and townships desirous of finding new revenue sources. Third, when wet cropping is not feasible due to spring drought, you switch to dry cropping, which means planting tobacco. Is there insufficient market for the 10 million dan of tobacco the province produced? No, the market is there; the problem is that grain and tobacco output have fallen out of balance. The level of tobacco output cannot be divorced from grain, which is the foundation. This is especially so in the major tobacco producing areas of Yuxi, Qujing, Dali, Chuxiong, Kunming, and Hong He, where tobacco has taken over some fields that produce a ton of grain and some that have 1,000-jin yields, which development has greatly affected grain output and exacerbated the contradiction between tobacco and grain. If we are to raise grain output to a new level, we must ensure a minimum grain-sown area. Thus ton-of-grain and 1,000-jin fields that have been taken over by tobacco must be returned to grain production.

Patchwork response to the excessive cold in grain production and overheating of tobacco output will not resolve the problem. Instead, we must resolve to adjust cultivation mixes. Taking the initiative to effect this readjustment would be the wisest policy. On this issue affecting the overall health of Yunnan's economy, we must not hesitate or sit around and blame each other.

Since readjustment is required, we must also raise one thing and lower another and select one thing and sacrifice another. In the interest of the stable, healthy, coordinated, and continued development of Yunnan's national economy, we must take the initiative in cooling off tobacco production so as to ensure that grain output this year reaches 10 billion kg. And to accomplish this, it is worth it to make some painful sacrifices and to give up some immediate and partial gains in favor of long-term and overall benefits. People do not concern themselves with long-term problems and thus inevitably face short-term worries. It is better to make up our minds at an early date to take advantage of the opportunity to plan now and to seize the initiative, for when economic recession forces a major readjustment the loss will be great. Of course, we must complete planting of 3 million mu of tobacco and 8 million dan of tobacco production. If grain output is 10 billion kg and tobacco output is 8 million dan, grain-tobacco relations will have been coordinated, and the ratio will be proper. If tobacco output dips below 6 million dan, that would represent great slippage and would have an impact on the provincial economy that cannot be underestimated.

### III

Although there are many favorable factors that will facilitate achievement of this year's plans for grain and tobacco production, problems also abound, so we must go all out and adopt extraordinary measures if we are to fulfill the plans.

Is it true that we can fulfill the provincial grain production plan merely by turning all ton-grain fields and 1,000-jin land back to grain production? Not necessarily. In this writer's view, we must also adopt a policy inclining toward grain, including increasing inputs; greatly expanding hydraulic engineering construction; coordinating policy, S&T, and inputs; and improving the household production responsibility system. Many prefectural, autonomous prefecture, city, and county leaders realize this and have adopted appropriate countermeasures, which development is gratifying. For example, more than 1 million people throughout the province have thrown themselves into hydraulic engineering work, on a scale and with results that are unprecedented in many years. Investment in agriculture has also exceeded that of previous years. Yuxi, Kunming, Chuxiong, and Qujing have received the greatest amount of investment; in Yuxi alone, investment reached 150 million yuan, an increase of 60 million yuan over the previous year. Of course there are distinctions in timeliness of awareness and in intensity of determination, which questions await resolution.

Tobacco production this year, on the other hand, faces a grim situation. The economic returns from grain and tobacco production have changed, which means that we must recognize both the advantages facilitating readjustment of the cultivation mix and increase in grain output and the threat to tobacco production. Even more noteworthy is the fact that the province is taking the initiative to reduce the tobacco-sown area to 3 million mu, is urging that tobacco cultivation be moved up to higher elevations, yet still requires that tobacco output be 8 million dan, which target thus will be much, much more difficult to fulfill than the 10 million dan achieved last year. To move tobacco cultivation up to higher elevations will require appropriate water and transportation measures and scientific cultivation; only then can we assure quality and marketability. If we lower our guard, tobacco output may slip greatly. And that is a lesson Yunnan has have experienced before in production of tobacco.

### Zhejiang Peasant Income

40060351e Beijing JINGJI CANKAO in Chinese  
27 Feb 89 p 2

[Summary] In 1988, peasant per capita net income in Zhejiang Province was 902.36 yuan, an increase of 58.17 yuan over 1987. The proportion of rural households earning over 1,000 yuan increased from 19.9 percent in 1987 to 34 percent. In 1988 Zhejiang raised the procurement price for farm and sideline products 33.1 percent. In 1988 per capita peasant expenses for farm production were 183 yuan, an increase of 41.49 yuan over 1987.



**KMT's Educational System Under Fire**  
40050267 Taipei TZULI WANPAO in Chinese  
3, 4 Jan 89

[Speech by psychiatrist Chen Yung-hsing 7115 3057 5281: "The Educational System of Taiwan Is Terminally Ill," delivered at the Forum of the "Education of Taiwan" on the invitation of the Taiwan-U.S. Foundation and TZULI WANPAO. It pointed out problems and solutions for Taiwan's current educational system, causing great repercussions after the forum. It is printed with Doctor Chen's consent.]

[3 Jan 89 p 14]

[Excerpts] [Passage omitted] What is the most serious and basic problem of Taiwan's educational system? Please forgive me, but as a doctor, I must make a sincere and honest preliminary diagnosis: it is "against Taiwan and education." In other words, Taiwan's educational system, which has seriously violated the nature and basic principles of education, is a complete failure. Why did I make such a disappointing diagnosis on such a sad and pessimistic note? I know that many of you here are teachers, professors, scholars, and experts who know a lot more about educational issues than I do, and that my diagnosis of Taiwan's educational problems must have upset you. However, since I dare not hide the sickness for fear of treatment, I have no choice but tell you the truth. [passage omitted]

The most serious problem of Taiwan's educational system is that education is controlled and conducted according to the aims of rulers. This is not a groundless accusation. Historical studies show that the traditional education of ancient China was based on Confucianism and the imperial examination system, which was actually an educational system designed to allow rulers to control intellectuals. In the late Qing Dynasty, a political reform was carried out, an imperial examination system abolished, and schools established. In the 31st year of Guangxu Emperor (1905), the department of education was established. In the following year, five principles of education were promulgated. They were: "Be loyal to the monarch, respect Confucius, and stress justice, military affairs, and honesty." This was the first time that China issued a public statement to specify the purposes of education. But instead, it clearly explained rulers' intentions in running educational undertakings. After the Republic of China was founded, the Ministry of Education issued new principles of education in the first year of the republic (1912). They were: "emphasize moral education; supplement moral education with practical, military, and government education; and complete moral education with aesthetic education." Later, Yuan Shih-kai became emperor and warlords divided up China by force. After the Northern Expedition ended, the Kuomintang (KMT) government settled in the capital of Nanjing and issued an explicit order, "the Educational Principles of the Republic of China and the Policies of Their Implementation," in the 18th year of

the Republic of China (1929). It stated: "In accordance with the Three People's Principles, the education of the Republic of China is aimed to enrich the people's life, support social existence, develop the national economy, extend the life of our nation...." We have been using this educational principle ever since. Even today, the ruling party of Taiwan still considers "unifying China with the Three People's Principles" as the ultimate guiding principle for running Taiwan's educational undertakings.

Since its educational system is based on the Three People's Principles, Taiwan must reject all other principles, making it impossible to accept many valuable theories and free ideological discussions of mankind, and turning the Three People's Principles into the only true and unquestionable doctrine and guide beyond time and space. To force everyone in this country, nation, and society to accept a unified concept of value, Taiwan must basically exercise thorough control over mind and speech. This kind of education undoubtedly violates academic independence and campus democracy and freedom, let alone the matter of teaching students how to think independently, tell right from wrong and the good from the bad, and seek truth. If the purpose of education is to seek a unified concept of value desired by rulers and to teach students to think alike, it is only natural that democratic, pluralistic concepts of value cannot be established and that freedom of thinking and speech will be controlled. It is also easy for us to understand why teaching materials, teaching methods, examinations, uniforms, hair styles, and all other matters related to education are collectively controlled in a unified manner. Isn't this antidemocracy, antifreedom, anticlimactic to pluralistic values and academic independence?

If we are to unify China with the Three People's Principles, we must not forget the beautiful dream of China. We still do not identify China with Taiwan and consider Taiwan as a place to settle down permanently. This is why education in Taiwan cannot stress Taiwan among students, nor teach them to understand and love the place where they were born and raised, nor let them know about the heroes or heroic incidents of Taiwan's history. This is why history, geography, and studies of the humanities all recognize China, which is an illusion and negates Taiwan. As a result, everyone living in the land of Taiwan has learned to avoid stressing words like "Taiwan" and all students in Taiwan have learned to speak only Chinese (mandarin), not Taiwanese (including Hakka and the indigenous dialects.) This educational system, which has tried to destroy the native culture of Taiwan and promote the culture of great Han in central China, runs counter to nature, human nature, motherland, and Taiwan. This kind of education can cause students to suffer from a serious identity crisis and make Taiwanese people lose faith in and love for the society of Taiwan. Isn't this educational system anti-Taiwan? [passage omitted]

I was born in Taiwan after World War II (1950). I completed Taiwanese education when I was young. I did



not have a chance to study abroad until 10 years after my graduation from medical school (I was 36 years old in 1985). Since I once played the role of a college educator in Taiwan's educational system (psychiatry instructor of the medical school), I'd like to tell you a few instances which I have experienced personally to prove that the problem of Taiwan's educational system is, as I diagnosed above, anti-Taiwan and antieducation. Taiwan's education discussed here includes, of course, not only school education for children and adults but also visible and invisible non-school education received after graduation from school, in the military, and even on the job in society. Even public education conducted by mass media can be used as an example to explain the horrible influence of Taiwan's education.

I was an outstanding student in the eyes of my parents and teachers when I was a child. In elementary school, I won numerous awards and was chosen as a model student and class leader many times. I particularly remember that I was very good at composition and speech. I often represented our class or school in contests with other classes or schools and did well every time. But as I remember, the contents of my compositions and speeches were all ignorant and stupid childish talks like "under the leadership of our great leader, we will strike back at the mainland...to save compatriots from suffering..." This shows how Taiwan's education keeps the people ignorant by telling them fairy tales from the time they are children. When I was in the middle school, something funny happened to me. I had a "Chinese language" teacher whose "mandarin" pronunciation was very strange, and nobody could understand what language it was. But he was particularly fond of talking and preaching. So students often called him "old freak" in Taiwanese. One day, he either secretly asked other teachers or heard from a student informer about the meaning of this nickname. He suddenly caught me calling him "old freak" and sent me to the office of the dean of students to be disciplined. Since I had been always taught to be honest and not to lie to teachers, I frankly admitted what I had done. As a result, I was punished with "one demerit for using dialect to humiliate teacher," which was a notice put on the bulletin board by the office of the dean of students. This was the first time I realized from Taiwan's education that Taiwanese was a dialect and should not be used rashly. Especially calling a "Chinese" teacher from the mainland an "old freak" in Taiwanese is even more humiliating. The student must be recorded a demerit. This is an example of the antinative factor in Taiwan's educational system.

[4 Jan 89 p 14]

Later, I had an English teacher who also came from mainland China. Every time he finished teaching English in the class, he would tell stories about himself as a student in exile during China's War of Resistance Against Japan. Sometimes he would heartily sing the so-called "patriotic songs" and cry afterward. He came

to Taiwan without his family and friends. He thought that he would soon return to the mainland under the leadership of the great revered Mr Chiang. As time went by, he probably figured out that "counterattack was impossible," and began to complain. He would criticize many ignorant and incompetent experts and scholars for doing nothing but licking boots, holding high-ranking positions, and not knowing how to run a school. By citing real instances, he told his students that those who used to be the most incompetent and corrupt on the mainland became rich and famous after they came to Taiwan. This English teacher disappeared later and nobody knew where he was sent. His zealous and indignant lectures and his frank and sincere speeches were exactly opposite from what Taiwan's education wanted to achieve—be loyal to leaders and sing the praises of idols. This is another example that Taiwan's education preaches one thing but practices another, is filled with fairy tales, and violates truth and conscience.

I began to come into contact with outside reading materials in my middle school years. After discovering from many outside books and magazines that the stuff they taught us at school was quite different from the truth of real life, I refused to accept everything they taught in Taiwan like that in grade school. I began to analyze and study issues by myself and judge and decide what I wanted with my own conscience. In my high school years, I met and lived with a Spanish father who, in particular, encouraged me to read, in a planned manner, the biographies of the world's great men and famous books of religion, philosophy, and literature. This fortunately prevented me from falling into the crammer's whirlpool for the common entrance examination, and laid for me a solid foundation for combining medicine, the humanities, and art in my future studies.

As soon as I entered medical school, during the training of new students, a military instructor asked all new students to fill in the forms of application for admission into the KMT Party. I was the only one who did not join the party. At that time, I was already disgusted with the fact that Taiwan's education was controlled by the political party. The role of antidemocratic and antipluralistic control played by the military instructors and the partisan education in Taiwan's education was what I personally hated most.

In the medical school, I was actively involved in student movements. I constantly organized lectures and invited people outside the school to give speeches in an effort to promote the freedom of speech among students. I also published articles in school papers or outside newspapers and magazines to urge college students to get involved in social issues. When I ran the school paper, I often disagreed with teachers, who checked the contents of my manuscripts and often prohibited me from inviting those on the black list to give speeches.

What I remembered the most was that, later, military instructors would not let me invite anybody. Even when

Mr Hung Yan-chiu [3163 3508 4428] was invited to speak on the issue of "mercy killing," the military instructor in charge of the examination and approval asked me "who is Hung Yan-chiu? Is he a non-party member?" How could such college military instructors give college students good education? Sick and tired of arguing with military instructors every day, finally I went off to publish on my own a student paper and wrote a series of articles criticizing and making suggestions on college education. The result, was earth-shaking, however, and I almost ended up in jail. The school treated a simple college young man like me, who loved the school and Taiwan, as a spy by viciously labelling me "one who has ideological problems and advertises for the bandits." The school threatened that it would expel me from school if I refused to stop publishing articles advocating students' autonomy and campus democracy. Finally, the whole thing ended with me getting a major demerit. This is an anti-education model that has been followed by Taiwan's educational system for 40 years in handling college students who are full of love and ideals. I am not the only one who has experienced the ugliest and most disgusting aspects of Taiwan's education. Many of my best friends, who were outstanding young men managing student newspapers or organizations in different universities of Taiwan, considered demerits and expulsion from school as a routine of life. Quite a few unfortunate ones were put in prison to be "reformed." These are sad examples of blood and tears spent for the violation of the freedom of speech and of the expression of thought in Taiwan's educational system.

Students are not the only ones who can understand the problems of Taiwan's educational system. We cannot shake off the horrible shadow of Taiwan's education even after graduation. As soon as I graduated from school, I enlisted in the service to perform my national duty. As soon as I reported in, I encountered again the so-called corporal education, which is inhuman military education. In addition to the demand of absolute loyalty to leaders and obedience to higher-ups, the military was filled with practices that suppress human nature. Special attention was paid to those students who refused to join the party and "had security problems." After carefully studying those articles I wrote when I was a student, my higher officers had to strengthen guidance for me. The ideological education of the entire armed forces considered "people" as "dogs" or "guinea pigs" in the experiment of behavioral science where each order is followed by an action, as if "people's" thoughts and behavior could be conditioned by training as reflexes, such as electrical shock and bell-ringing could make "dogs" or "guinea pigs" perform repeated acts. A most common example was that after a drill and before a meal, everyone was required to march around the mess hall in goose steps while singing military songs loudly and to salute officers while yelling "How are you, Sir?" If someone's voice was not loud enough, he or she would not be allowed to enter the mess hall. He or she would have to continue drilling until officers were satisfied. This kind of education, that humiliates human nature, controls

people's behavior, and oppresses people's thinking, is considered even as the "education of love" of which the military is proud. This is indeed an extreme demonstration of disgrace in Taiwan's educational system. Corporal punishment, which is begun in grade school and extended to every corner of the armed forces, is an example of the violation of human nature and dignity of Taiwan's education.

The horrible influence of Taiwan's education not only controls students but also traps graduates, soldiers, and even people who have joined the work force in the society. After I left the service, I worked for a public hospital as a resident and chief physician. I was busy every day with patients, but the security personnel of the second human resource office of the hospital still kept a close eye on every move I made. When I applied for an entry and exit permit for studying abroad, they created obstacles of every description under the pretext that there was something wrong with my "security records," and obstructed my job transfer and promotion. Even after I was hired as a medical school military instructor and taught psychiatry for several years at the medical school, I still had many problems getting my teaching certificate due to obstacles created by my "security records" on file with the Ministry of Education. After trying every means, I eventually got rid of the horrible shadow by having my name removed from the black list which included me when I was a student and as a college instructor. I passed an official examination for the credentials of instructor with the Ministry of Education and was able to engage in the work of medical education. However, the terrible work style of Taiwan's education still exerts evil influence to oppose academic independence. Things I said in the classroom have become the most interesting subjects for the security personnel and military instructors of the school. Even student organizations are not allowed to invite me to give speeches. It is like returning to the old days when I was a student and not allowed to invite non-faculty members to give speeches. What a shame that Taiwan's educational system has stagnated and regressed to such a degree!

What is most depressing is that in the past few years, Taiwan society has opened up and become democratic in various fields. This has made the performance of Taiwan's educational system all the more pitiful. Calls for campus democracy and academic freedom have been heard occasionally, but young men who have been relatively active in fighting for students' rights or who have engaged in student movements are still harassed by punishments of demerit or expulsion. As a college instructor watching one generation of young Taiwanese after another being devastated by Taiwan's educational system for the very same reason, I cannot but wonder "how can such education be called education?" What is funny is that when the so-called underground student publications finally emerged on campus and published articles demanding the resignation of military instructors, campus autonomy, school management by professors, and students' human rights, etc., party and security

personnel of the school always suspected me, the instructor with "security problems," of leading the students in this movement. They carried out all kinds of investigations and held secret meetings to discuss ways to handle this. Later I organized the "Society for Promoting the February 28 Peace Day" to mark the 40th anniversary of the February 28 Incident and became the chairman of the "Society of Taiwan for Promoting Human Rights." At this time, they made the president of the school tell me, through the principal of the medical school, that he was under great "security" pressure because I had frequently published articles and given speeches outside the school and that he hoped I would resign. What did I learn from this kind of education in the past few decades covering my school days, graduation, military service, discharge from the service, employment, and teaching days? I can be sure only of one thing: "Taiwan's education is terminally ill; it has failed completely."

I have cited some of my personal experiences as obvious examples of problems in Taiwan's educational system, but are they all? The fact is, I am afraid, much more serious than my examples. Here I'd like to cite one more case which is most unnoticeable but terrible—namely, the "education" offered by mass media to keep "the people ignorant"! If you are not forgetful, you should still remember how all mass media tried to keep the people ignorant by using images, photographs, and words to distort facts and make false alarms in the Kaohsiung Formosa Incident in 1979, the Taoyuan Chungcheng Airport Incident in 1986, and the Taipei May 20 Incident in 1988. What is more pathetic is the way the so-called hired experts and scholars educated the public. In order to protect the interests of the ruling political power, they muffled their intellectual and academic

conscience and stirred up erroneous public opinions to mislead the public. This kind of education is being carried out quietly every day, adversely affecting the concept of value and the direction of development in the society of Taiwan. The evil sequel of this anti-education effort combined with the school education of Taiwan have destroyed the chance of a healthy ideological growth of Taiwanese people, continued to encroach upon their dignity, never respected their basic human rights. What kind of sad result will this kind of education bring us? Can any of us, who is concerned about Taiwan's education, afford not to re-examine this issue seriously? When the TV showed a grade school student shedding ignorant tears while saying: "Why don't Taiwan people understand that they should thank President Chiang? He is so good to us and the government takes such good care of people, how can people oppose the government and criticize the president?" When hired Taiwan experts and scholars scolded in newspapers, magazines, TV, and broadcasting stations: "We must handle severely the extremists, the street corner self-salvation movement according to law, and separatist ideas seriously; advocates of Taiwan independence are traitors and must not be forgiven..." they had the nerve to act like they were upset and were doing justice for God in a loyal manner. Will Taiwan find a cure if this continues? Taiwan's educational system is so terminally ill that now it is time for all of you brilliant doctors here today to hold a final group consultation. The anti-Taiwan and anti-education educational system of Taiwan has caused Taiwanese people to suffer from a crisis of faith, difficulty of identity, a split personality, and loss of value, thus resulting in the basic factors of many social, economic, government, and cultural issues in the current society of Taiwan. [passage omitted]



**'Dim View' of Macao's Future**

40050205 Hong Kong CHENG MING

[CONTENDING] in Chinese No 134, 1 Dec 88 pp 66-67

[Article by Mo Dengxian 5459 4583 7034: "A Dim View of Macao Future"]

[Text] The influence of Macao's communists is felt everywhere. The prospect of what is to come in 1999 already is dampening the spirits of the people on Macao.

**Silent Macao**

The situation is not like what a certain public figure on Macao says—that since most Macao residents hold Portuguese passports their minds are at ease and they are not so full of opinions about their future as are the people in Hong Kong. The truth is, the people on Macao are worried about their future and they have many opinions but basically no place to express them.

First, the Macao media are all controlled by the communists on Macao or else are ordered to watch what they do. One bad word about the Chinese communists and either no newspaper will print it or they would like to but they don't dare. As for a forum like the one held in Hong Kong, either no one dares to organize it or else no one in the audience will ask questions. The communists on Macao have as many special assignment personnel here as an ox has hairs on its back. The residents are wise enough to keep out of trouble by playing it safe and so we have a scene of fearful silence. When behind closed doors, the residents curse the so-called "Chinese leaders" on Macao.

**The Callous Macao Communist "Chinese Leaders"**

During Macao's latest legislative elections, the communists on Macao made a tremendous effort but all was in vain. This was not an accident either for it represents the silent protest of the residents of Macao.

As a result of the China-Macao clash of the early 1950's and the "One-Two-Three Incident" of the 1960's, the Macao government was subdued by the Chinese communists and became a communist rubber stamp of submissive obedience. Most of Macao's so-called Chinese leaders and most of the industrial and commercial tycoons accepted the communist handouts and relied on communist influence to monopolize Macao's markets. Though they might grumble a bit when their interests were harmed, basically they would bite the bullet and continue in close cahoots with the communists. When Macao residents returned from the mainland with pork, even if it was only 4 tiny ounces, the pork would be confiscated and the person would be threatened with a fine, in contravention of several hundred years of custom. This is an illustration of the collaboration between the communists on Macao and the so-called "Chinese leaders" and how they seized every opportunity to

monopolize the marketplace. When a certain high-ranking Chinese communist official named Ye [0673] died, a certain "Chinese leader" went on television and veritably choked with sobs as the tears ran down his face. It was as if his father had passed away and it really nauseated the residents of Macao.

Mr Xu Jiataun [6079 1367 1470] tries to give the appearance of being genial but the face of this communist boss on Macao remains a monolithic block and, as he is never in with the people, he is not even willing to make an effort at pretension. He is a backstage ruler.

In Macao we still have neighborhood committees like on the mainland but essentially they act as peripheral organizations for the communists on Macao. Anytime there is a sign of disturbance the communists on Macao are on to it in no time. Aside from the existence of casinos and adult entertainment establishments, life on Macao is indistinguishable from life on the mainland. There is no question that the communists on Macao are already running the show.

Is there no wave of emigration from Macao? Many of my relatives and friends have already left but who is going to report or discuss this sort of thing? If the scene in Hong Kong is one where "Hong Kong residents are freely discussing things" then the scene in Macao is actually one where "Macao residents are selling out Macao" because the efforts of the so-called "Chinese leaders" to "take the main leftovers in trusteeship" can only subdue us. If I had the chance I would emigrate. But it's too bad that I have no relatives in foreign countries nor a reason to go. And I haven't enough money to invest my way into a country. I must resign myself to fate. And this is the general feeling of most people on Macao.

**The Communists on Macao Monopolize the Markets**

One is startled when one sees the control the communists on Macao exert over the economy. One place it is clearly found is in the construction business where there are five, six, or more large construction companies from mainland city or province level organizations that have set up shop on Macao; and the construction and realty companies from mainland counties, small cities, and even towns that have located on Macao are too numerous to mention. Macao is only a tiny chunk of land and they are using the blood and sweat of the people as capital in carrying out vicious competition amongst themselves, driving up the prices for construction land, leaving nothing good for local construction companies and causing such bitterness amongst the locals that people can't stand to talk about it. Rarely is consideration given to business profits and losses, the goal being to create opportunities, embezzle funds, and line one's own pockets.

Because brokerage fees or commissions are paid and received by private individuals, one can fearlessly embezzle to his heart's desire. Undoubtedly managers

can skim large amounts for themselves and small functionaries, make a much higher wage here than they would on the mainland, and at the same time enjoy labor insurance and benefits just the same, and bring back to the mainland duty-free each year eight large and eight small appliances, as well as other commodities in short supply on which they can turn a profit. This is a case of clear connivance by the Chinese communists. If the items were for personal use, who is going to need to bring back eight large and eight small appliances each year? As for Chinese communist treatment of high and low ranking communist officials on Hong Kong and Macao, one can truly say they adopt a different approach.

As for other lines of business such as hotels, the garment industry, tourism, and the electronics industry, they too are seizing every opportunity for trickery. Recently a huge number of cheap laborers was brought in, thereby taking away the livelihood of the locals. The residents of Macao have met with great adversity and are taking bitter medicine. Wherein lies the future?

#### **The Unbelievably Corrupt Chinese Investment Organizations**

We can talk about how the communists on Macao squander money but one is even more aghast at how they put on numerous banquets and then go running off for a night to the Paris dancing show or to an adult night club. Some of the communists are even unrestrained patrons of the Portuguese casinos. Although these places have been made taboo by the communist party, and one can lose one's official position if caught, officials from the mainland are still going to them. If they don't go to these kinds of places it seems they feel their trip is not complete. But they do take the precaution of not going in large groups. If one asks the residents of Macao: "Who has the nicest cars?", the answer will be unanimous—"the Chinese investment organizations!" Even a low-ranking manager will be seen driving a BMW or a Benz.

They really go in for ostentation and extravagance. If you call one of these folks "Mr X," he will be displeased. But if you address him as manager, general manager, or chairman of the board, he will give you a smile. When these folks get together one can find a proliferation of titles all over the places as they heap flattery on one another. Residents of Macao make fun of them saying that one Chinese investment organization is equivalent to a State Council. The organization has a little of everything, with reformers, conservatives, old, middle-aged, and youth all mixed in to form an eclectic whole that never ceases in its internal struggles. Honest communist cadres on Macao can be found but unfortunately they are outnumbered.

Macao has no honest government organizations. The so-called anti-corruption committee has met and discussed the problem numerous times at the legislative meetings, but to no avail. So whether it's a government or a private organization, corruption is in the air every day and this is a fact that is common knowledge. Macao's communist officials not only take bribes but also give them. The so-called "knowingly doing it" is given the fine-sounding name of "adapting to the environment and hustling for a deal." Macao is a paradise for corrupt officials and yet the communists on Macao hold their workers to a standard higher than would be found in a private organization while paying low wages and giving no benefits. The Chinese investment organizations occupy a good part of Macao and shady dealings are to be found everywhere. One does well to swallow the humiliation. For those of us regarding ourselves as living in a working class dictatorship state, we are a joke.

The near future of China is worrisome but the present in Macao is even more worrisome! I wonder what Mr Deng Xiaoping would think if he knew the real situation in Macao? When will the "superiority" of ownership by the whole people and Deng Xiaoping's communist ideal be achieved? And when will the farcical game of drafting "The Basic Law" be over?

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